

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

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 1-12002

ACADIA REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State of incorporation)

23-2715194
(I.R.S. employer identification no.)

1311 Mamaroneck Avenue, Suite 260
White Plains, NY 10605
(Address of principal executive offices)

(914) 288-8100
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Common Shares of Beneficial Interest, \$.001 par value
(Title of Class)

New York Stock Exchange
(Name of Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Securities Act.

YES NO

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 12 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 NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) YES NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$751.4 million, based on a price of \$23.65 per share, the average sales price for the registrant's shares of beneficial interest on the New York Stock Exchange on that date.

The number of shares of the registrant's Common Shares of Beneficial Interest outstanding on March 1, 2007 was 32,132,797.

DOCUMENTS INCORPORATED BY REFERENCE

Part III – Definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007 to be filed pursuant to Regulation 14A.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. 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 “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend” or “project” or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the heading “Item 1A Risk Factors” in this Form 10-K. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

PART I

ITEM 1. BUSINESS:

GENERAL

Acadia Realty Trust (the “Trust”) was formed on March 4, 1993 as a Maryland Real Estate Investment Trust (“REIT”). All references to “Acadia,” “we,” “us,” “our,” and “Company” refer to Acadia Realty Trust and its consolidated subsidiaries. We are a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of retail properties, including neighborhood and community shopping centers and mixed-use properties with retail components. We currently operate 74 properties, which we own or have an ownership interest in. These assets are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States which, in total, comprise approximately 10 million square feet. We also have private equity investments in other retail real estate related opportunities including investments for which we provide operational support to the operating ventures in which we have a minority equity interest.

All of our investments are held by, and all of our operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and entities in which the Operating Partnership owns a controlling interest. As of December 31, 2006, the Trust controlled 98% of the Operating Partnership as the sole general partner. As the general partner, the Trust is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners represent entities or individuals which contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common OP Units” or “Preferred OP Units”). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Trust (“Common Shares”). This structure is commonly referred to as an umbrella partnership REIT or “UPREIT”.

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objective is to acquire, develop and manage commercial retail properties that will provide cash for distributions to shareholders while also creating the potential for capital appreciation to enhance investor returns. We focus on the following fundamentals to achieve this objective:

- Own and operate a portfolio of community and neighborhood shopping centers and mixed-use properties with a retail component located in markets with strong demographics
- Generate internal growth within the portfolio through aggressive redevelopment, re-anchoring and leasing activities
- Generate external growth through an opportunistic yet disciplined acquisition program. The emphasis is on targeting transactions with high inherent opportunity for the creation of additional value through redevelopment and leasing and/or transactions requiring creative capital structuring to facilitate the transactions
- Partner with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets
- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth

Investment Strategy — External Growth through Opportunistic Acquisition Platforms

The requirements that acquisitions be accretive on a long-term basis based on our cost of capital, as well as increase the overall portfolio quality and value, are core to our acquisition program. As such, we constantly evaluate the blended cost of equity and debt and adjust the amount of acquisition activity to align the level of investment activity with capital flows. We may engage in discussions with public and private entities regarding business combinations. In addition to our direct investments in real estate assets, we have also capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing joint ventures in which we earn, in addition to a return on our equity interest, fees and priority distributions for our services. To date, we have launched two acquisition joint ventures, Acadia Strategic Opportunity Fund, LP (“Fund I”) and Acadia Strategic Opportunity Fund II, LLC (“Fund II”).

Fund I

In September 2001, we and four of our institutional shareholders formed a joint venture, whereby the investors committed \$70.0 million for the purpose of acquiring real estate assets. The Operating Partnership committed an additional \$20.0 million to Fund I, as the general partner with a 22% interest. In addition to a pro-rata return on its invested equity, the Operating Partnership is entitled to a profit participation based upon certain investment return thresholds. Cash flow is distributed pro-rata to the partners (including the Operating Partnership) until they have received a 9% cumulative return on, and a return of all capital contributions.

Thereafter, remaining cash flow is distributed 80% to the partners (including the Operating Partnership) and 20% to the Operating Partnership as a carried interest (“Promote”). The Operating Partnership also earns fees and/or priority distributions for asset management services equal to 1.5% of the allocated invested equity, as well as for property management, leasing and construction services. All such fees and priority distributions are reflected as adjustments to minority interest in the Consolidated Financial Statements included in Item 8 of Form 10-K.

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Our acquisition program was executed exclusively through Fund I through June 2004. Fund I focused on targeting assets for acquisition that had superior infill locations, restricted competition due to high barriers of entry and in-place below-market anchor leases with the potential to create significant additional value through re-tenanting, timely capital improvements and property redevelopment.

On January 4, 2006, Fund I recapitalized a one million square foot retail portfolio located in Wilmington Delaware (“Brandywine Portfolio”) through a merger of interests with affiliates of GDC Properties (“GDC”). The Brandywine Portfolio was recapitalized through a “cash-out” merger of the 77.8% interest, which was previously held by the institutional investors in Fund I, to GDC at a valuation of \$164.0 million. The Operating Partnership, through a subsidiary, retained its existing 22.2% interest and continues to operate the Brandywine Portfolio and earn fees for such services. At the closing of the merger, the Fund I investors received a return of all of their capital invested in Fund I and their unpaid preferred return, thus triggering the payment to the Operating Partnership of its additional 20% Promote in all future Fund I distributions. During June 2006, the Fund I investors received \$36.0 million of additional proceeds from this transaction following the replacement of bridge financing which they provided, with permanent mortgage financing, triggering \$7.2 million in additional Promote due the Operating Partnership, which will be paid from the Fund I investor’s share of the remaining assets in Fund I.

There are 32 assets comprising approximately two million square feet remaining in Fund I in which the Operating Partnership’s interest in cash flow and income has increased from 22.2% to 37.8% as a result of the Promote.

Fund II

Following our success with Fund I, we formed a second, larger acquisition joint venture. During June of 2004, we launched Fund II, which includes all of the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II expects to be able to acquire up to \$900.0 million of real estate assets on a leveraged basis. The Operating Partnership is the managing member with a 20% interest in Fund II. The terms and structure of Fund II are substantially the same as Fund I with the exception that the Preferred Return is 8%.

As the demand for retail real estate has significantly increased in recent years, there has been a commensurate increase in selling prices. In an effort to generate superior risk-adjusted returns for our shareholders and joint venture investors, we have channeled our acquisition efforts through Fund II in two new opportunistic joint ventures launched during 2004 – the Retailer Controlled Property Venture and the New York Urban Infill Redevelopment Initiative.

Retailer Controlled Property Venture (the “RCP Venture”)

On January 27, 2004, through Funds I and II, we entered into the RCP Venture with Klaff Realty, L.P. (“Klaff”) and Klaff’s long time partner Lubert-Adler Management, Inc. (“Lubert-Adler”) for the purpose of making investments in surplus or underutilized properties owned by retailers. The initial size of the RCP Venture is expected to be approximately \$300 million in equity based on anticipated investments of approximately \$1 billion. Each participant in the RCP Venture has the right to opt out of any potential investment. Affiliates of Funds I and II have invested \$12.3 million and \$37.1 million, respectively, in the RCP Venture to date on a non-recourse basis. While we are not required to invest any additional capital into any of these investments, should additional capital be required and we elect not to contribute our share, our proportionate share in the investment will be reduced. Since Fund I is fully invested, Fund II will provide the remaining portion of the original 20% of the equity of the RCP Venture. Cash flow is to be distributed to the partners until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff (“Klaff’s Promote”) and 80% to the partners (including Klaff). The Operating Partnership may also earn market-rate fees for property management, leasing and construction services on behalf of the RCP Venture. We seek to invest opportunistically in the RCP Venture primarily in the following four ways:

- Invest in operating retailers through private equity joint ventures
- Work with financially healthy retailers to create value from their surplus real estate
- Acquire properties, designation rights or other control of real estate or leases associated with retailers in bankruptcy
- Complete sale leasebacks with retailers in need of capital

During 2004, we made our first RCP Venture investment with our participation in the acquisition of Mervyns. During 2006, we made additional investments with our participation in the acquisition of Albertsons, Cub, ShopKo and Marsh Supermarkets as further discussed in “PROPERTY ACQUISITIONS” in this Item 1 of Form 10-K.

New York Urban/Infill Redevelopment Initiative

In September of 2004, through Fund II, we launched our New York Urban Infill Redevelopment initiative. As retailers continue to recognize that many of the nation’s urban markets are underserved from a retail standpoint, we are poised to capitalize on this trend by investing in redevelopment projects in dense urban areas where retail tenant demand has effectively surpassed the supply of available sites. During 2004, Fund II, together with an unaffiliated partner, P/A Associates, LLC (“P/A”), formed Acadia-P/A Holding Company, LLC (“Acadia-P/A”) for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A agreed to invest 10% of required capital up to a maximum of \$2.2 million and Fund II, the managing member, agreed to invest the balance to acquire assets in which Acadia-P/A agrees to invest. See Item 7 of Form 10K for further information on the Acadia P/A Joint Venture as detailed in “Liquidity and Capital Resources”. To date, Fund II has, in conjunction with P/A, invested in six projects and entered into an

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agreement on a seventh project, subject to certain approvals, as discussed further in “PROPERTY ACQUISITIONS” in this Item 1 of this Form 10-K.

Other Investments

We may also invest in preferred equity investments, mortgages, other real estate interests and other investments. The mortgages in which we invest in may be either first mortgages or mezzanine debt, where we believe the underlying value of the real estate collateral is in excess of its loan balance. As of December 31, 2006 our investments in first mortgages and mezzanine debt aggregated \$38.3 million.

Capital Strategy — Balance Sheet Focus and Access to Capital

Our primary capital objective is to maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth. We intend to continue financing acquisitions and property redevelopment with sources of capital determined by management to be the most appropriate based on, among other factors, availability, pricing and other commercial and financial terms. The sources of capital may include the issuance of public equity, unsecured debt, mortgage and construction loans, and other capital alternatives such as the issuance of Operating Partnership Units. We manage our interest rate risk primarily through the use of variable and fixed rate-debt as well as with LIBOR swap agreements as discussed further in Item 7A of this Form 10-K.

In December 2006, we issued \$100.0 million of 3.75% unsecured Convertible Notes (the “Notes”). Interest on the Notes is payable semi-annually. The Notes have an initial conversion rate of 32.4002 of our Common Shares for each \$1,000 principal amount, representing a conversion price of approximately \$30.86 per Common Share, or a conversion premium of approximately 20.0%. The Notes are redeemable for cash up to their principal amount plus accrued interest and, at our option, cash, our Common Shares, or a combination thereof with respect to the remainder, if any, of the conversion value in excess of the principal amount. The Notes mature December 15, 2026, although the holders of the Notes may require the Company to repurchase their Notes, in whole or in part, on December 20, 2011, December 15, 2016, and December 15, 2021. After December 20, 2011, we have the right to redeem the Notes in whole or in part at any time. In January 2007, an option was exercised to issue an additional \$15.0 million of these Notes. The \$112.1 million in proceeds, net of related costs, were used to retire variable rate debt, provide for future Fund capital commitments and for general working capital purposes.

During January 2007, we filed a shelf registration on Form S-3 providing offerings for up to a total of \$300.0 million of Common Shares, Preferred Shares and debt securities. To date, we have not issued any securities pursuant to this shelf registration.

Common and Preferred OP Unit Transactions

On January 27, 2004, we issued 4,000 Series B Preferred OP Units to Klaff in connection with the acquisition from Klaff of its rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties. These units have a stated value of \$1,000 each and are entitled to a quarterly preferred distribution of the greater of (i) \$13.00 (5.2% annually) per Preferred OP Unit or (ii) the quarterly distribution attributable to a Preferred OP Unit if such unit were converted into a Common OP Unit. The Preferred OP Units are convertible into Common OP Units based on the stated value of \$1,000 divided by 12.82 at any time. Klaff may redeem them at par for either cash or Common OP Units (at our option) after the earlier of the third anniversary of their issuance, or the occurrence of certain events including a change in the control of our Company. Finally, after the fifth anniversary of the issuance, we may redeem the Preferred OP Units and convert them into Common OP Units at market value as of the redemption date.

Effective February 15, 2005, we acquired the balance of Klaff’s rights to provide the above services as well as certain potential future revenue streams. The consideration for this acquisition was \$4.0 million in the form of 250,000 restricted Common OP Units, valued at \$16 per unit, which are convertible into our Common Shares on a one-for-one basis after a five year lock-up period. As part of this transaction we also assumed all operational and redevelopment responsibility for the Klaff Properties a year earlier than was contemplated in the January 2004 transaction.

In February 2007, Klaff converted 3,800 Series B Preferred OP Units into 296,412 Common OP Units and ultimately into Common Shares.

Common Share Transactions

During November 2004, we issued 1,890,000 Common Shares (the “Offering”) pursuant to shelf registration statements filed under the Securities Act of 1933, as amended, and previously declared effective by the Securities and Exchange Commission. The \$28.3 million in proceeds from the Offering, which were net of related costs, were used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Yale University and its affiliates (“Yale”), and Kenneth F. Bernstein, our Chief Executive Officer, also sold 1,000,000, and 110,000 Common Shares, respectively, in connection with this transaction.

In March of 2004, a secondary public offering was completed for a total of 5,750,000 Common Shares. The selling shareholders, Yale and Ross Dworman, a former trustee and Chairman, sold 4,191,386 and 1,558,614 Common Shares, respectively. Yale was a major shareholder, owning, at one time, approximately one-third of all of our outstanding Common Shares. We did not sell any

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Common Shares in this transaction and did not receive any proceeds from this transaction.

Operating Strategy — Experienced Management Team with Proven Track Record

Our senior management team has an average of nine years with us and our predecessors and 26 years in the real estate industry. Our management team successfully completed a major multi-year portfolio repositioning initiative culminating in 2002 that significantly improved the quality of our portfolio and tenant base. We believe our management team has demonstrated the ability to create value internally through anchor recycling, property redevelopment and strategic non-core dispositions. Our team has built several successful acquisition platforms including our New York Urban Infill Redevelopment Initiative and RCP Venture. We have also capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing joint ventures, such as Funds I and II, in which we earn, in addition to a return on our equity interest, fees and priority distributions for our services.

Operating functions such as leasing, property management, construction, finance and legal (collectively, the “Operating Departments”) are provided by our personnel, providing for fully integrated property management and development. By incorporating the Operating Departments in the acquisition process, acquisitions are appropriately priced giving effect to each asset’s specific risks and returns. Also, because of the Operating Departments involvement with, and corresponding understanding of, the acquisition process, transition time is minimized and management can immediately execute on its strategic plan for each asset.

We typically hold our properties for long-term investment. As such, we continuously review the existing portfolio and implement programs to renovate and modernize targeted centers to enhance the property’s market position. This in turn strengthens the competitive position of the leasing program to attract and retain quality tenants, increasing cash flow and consequently property value. We also periodically identify certain properties for disposition and redeploy the capital to existing centers or acquisitions with greater potential for capital appreciation. Our core portfolio consists primarily of neighborhood and community shopping centers, which are generally dominant centers in high barrier-to-entry markets. The anchors at these centers typically pay market or below-market rents and have low rent-to-sales ratios, which are, on average, less than 5%. Furthermore, supermarket and necessity-based retailers anchor the majority of our core portfolio. These attributes enable our properties to better withstand a weakening economy while also creating opportunities to increase rental income.

During 2006 and 2005 we sold six non-core properties and redeployed the capital to acquire five retail properties as further discussed in “ASSET SALES” and CAPITAL/ASSET RECYCLING” in this Item 1 of Form 10-K.

PROPERTY ACQUISITIONS

RCP Venture

In June 2006, the RCP Venture made its second major investment with its participation in the acquisition of Albertsons. The total price paid by the investment consortium, which included Cerberus, Schottenstein and Kimco Realty, to Albertsons for the portfolio was \$1.9 billion which was funded with \$0.3 billion of equity and \$1.6 billion of financing. Albertsons was the nation’s 2nd largest grocery and drug chain which operated over 2,500 stores in 37 states. Albertsons divided its assets into three independent components and for a total price of \$17.4 billion, sold 1,124 stores to Supervalu, 700 stores to CVS and 699 stores along with 26 Cub Food stores to the investment consortium. Supervalu and CVS are the investment consortium’s strategic operating partners and, as such, are part of the purchasing group, but fund, own, and operate their respective portions of the portfolio independently. As with the Mervyns investment (see below), we anticipate investing in Albertsons add-on real estate opportunities. During the third quarter of 2006, additional investments of \$1.0 million were made in, the Camellia Center and Newkirk portfolio. Camellia Center is an Albertsons-anchored center located in Sacramento, California and Newkirk is a portfolio of 50 properties currently leased to Albertsons. As of December 31, 2006, our total invested capital in Albertsons and add-on investments amounted to \$23.1 million, of which the Operating Partnership’s share was \$4.6 million.

We also invested \$1.1 million in Shopko, a regional multi-department retailer with 358 stores located throughout the Midwest, Mountain and Pacific Northwest and \$0.7 million in Marsh, a regional supermarket chain operating 271 stores in central Indiana, Illinois and western Ohio. The Operating Partnership’s share of these investments totaled \$0.4 million.

In September 2004, we made our first RCP Venture investment with our participation in the acquisition of Mervyn’s. Through affiliates of Fund I and Fund II, which were separately organized, newly formed limited liability companies on a non-recourse basis, we invested in the acquisition of Mervyn’s through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerberus, acquired Mervyn’s from Target Corporation. The total acquisition price was approximately \$1.2 billion subject to debt of approximately \$800.0 million. Our share of equity invested aggregated \$24.6 million on a non-recourse basis and was divided equally between affiliates of Funds I and II. The Operating Partnership’s share was \$5.2 million.

As of the date of acquisition, Mervyn’s was a 257-store discount retailer with a very strong West Coast concentration. During 2005, the consortium sold a portion of the portfolio as well as refinanced existing mortgage debt and distributed cash to the investors, of which a total of \$42.7 million was distributed to us of which the Operating Partnership’s share amounted to \$10.2 million. In February of 2006, the consortium distributed additional cash of which a total of \$1.4 million was distributed to us of which \$0.4 million was the Operating Partnership’s share.

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On February 26, 2007 we, through our RCP Venture, received a cash distribution totaling approximately \$42.5 million from our ownership position in Albertsons. The Operating Partnership's share of this distribution amounted to approximately \$8.5 million. The distribution resulted from cash proceeds obtained by Albertsons in connection with its disposition of certain operating stores and a refinancing of the remaining assets held in the entity.

New York Urban/Infill Redevelopment Initiative

The Center at Albee Square – On February 23, 2007, Acadia-P/A and Paul Travis of Washington Square Partners (collectively, “Acadia P/A–Travis”), entered into an agreement for the purchase of the leasehold interest in The Gallery at Fulton Street and adjacent parking garage in Downtown Brooklyn, NY for \$120.0 million. The fee position in the property is owned by the City of New York and the agreement includes an option to purchase this fee position at a later date. Plans for the property include the demolition of the existing improvements and the development of a 1.6 million square foot mixed-use complex. This transaction is subject to approval by the Mayor of the City of New York. There are no assurances that the approval will be granted.

Liberty Avenue — On December 20, 2005, Acadia-P/A acquired the remaining 40-year term of a leasehold interest in land located at Liberty Avenue and 98th Street in Queens (Ozone Park). Development of this project is substantially complete and includes approximately 30,000 square feet of retail anchored by a CVS drug store, which is open and operating. The project also includes a 95,000 square foot self-storage facility which is open and currently operated by Storage Post. Storage Post is a partner in the self-storage complex, and is anticipated to be a partner in future retail projects in New York City where self storage will be a potential component of the redevelopment. The total cost of the redevelopment is expected to be approximately \$15 million.

216th Street — On December 1, 2005, Acadia-P/A acquired a 65,000 square foot parking garage located at 10th Avenue and 216th Street in the Inwood section of Manhattan for \$7.0 million. Construction is underway for a 60,000 square foot office building to relocate an agency of the City of New York, which is a current tenant at another of our Urban/Infill Redevelopment projects. Inclusive of acquisition costs, total costs for the project, which also includes a 100-space rooftop parking deck, are anticipated to be approximately \$25 million.

161st Street - On August 5, 2005, Acadia-P/A purchased 244-268 161st Street located in the Bronx for \$49.3 million, inclusive of closing costs. The ultimate redevelopment plan for the property, a 100% occupied, 10-story office building, is to reconfigure the property so that approximately 50% of the income from the building will eventually be derived from retail tenants. Additional redevelopment costs are anticipated to be approximately \$16 million.

4650 Broadway - On April 6, 2005, Acadia-P/A acquired 4650 Broadway located in the Washington Heights/Inwood section of Manhattan. The property, a 140,000 square foot building, which is currently occupied by an agency of the City of New York and a commercial parking garage, was acquired for a purchase price of \$25.0 million. Following the relocation of the office tenant to our 216th St. redevelopment during 2007 as discussed above, we plan to commence redevelopment of the site to include retail, commercial and residential components totaling over 285,000 square feet. Expected costs to complete the retail and commercial component of the project are estimated at \$30.0 million before any potential sale of the residential air rights. In lieu of directly developing the potential residential portion of the project, the rights to this component may be sold while retaining ownership of the other portions of the project.

Pelham Manor — On October 1, 2004, Acadia-P/A entered into a 95-year, inclusive of extension options, ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York. We have commenced demolition of the existing industrial and warehouse buildings, and will be replacing them with a multi-anchor community retail center at a total estimated cost of \$40 million.

Fordham Road — On September 29, 2004, Acadia-P/A purchased 400 East Fordham Road, Bronx, New York. Sears, a former tenant that operated on four levels at this property, has signed a new lease to occupy only the concourse level after redevelopment. We have commenced redevelopment at this site which is expected to include four levels of retail and office space totaling 276,000 square feet when completed. The total cost of the project, including the acquisition cost of \$30 million, is expected to be \$115 million.

In addition to the above New York Urban/Infill projects, through Fund II we also acquired the following:

During November 2005, we acquired a ground lease interest in a 112,000 square foot building occupied by Neiman Marcus. The property is located at Oakbrook Center, a super-regional Class A mall located in the Chicago Metro area. The ground lease was acquired for \$6.9 million, including closing and other acquisition costs.

During July 2005, we acquired for \$1.0 million, a 50% equity interest from its partner in the RCP Venture in the entity which has a leasehold interest in a former Levitz Furniture store located in Rockville, Maryland.

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Fund I

To date, through Fund I we have purchased a total of 35 assets totaling approximately 3.0 million square feet. During January 2006, we recapitalized the Brandywine Portfolio, representing two assets totaling approximately 1.0 million square feet, through a merger of interests with GDC as discussed further in “BUSINESS OBJECTIVES AND STRATEGIES” in this Item 1 of Form 10-K. Following the recapitalization of the Brandywine Portfolio, there are 33 assets comprising 2.0 million square feet remaining in Fund I, (in which the Operating Partnership’s interest in cash flow and income has increased from 22.2% to 37.8% as a result of the Promote) as follows:

Shopping Center	Location	Year acquired	GLA
New York Region			
<i>New York</i>			
Tarrytown Center	Westchester	2004	35,291
Mid-Atlantic Region			
<i>South Carolina</i>			
Hitchcock Plaza	Aiken	2004	232,383
Pine Log Plaza	Aiken	2004	35,064
<i>Virginia</i>			
Haygood Shopping Center	Virginia Beach	2004	178,335
Midwest Region			
<i>Ohio</i>			
Amherst Marketplace	Cleveland	2002	79,945
Granville Centre	Columbus	2002	134,997
Sheffield Crossing	Cleveland	2002	112,534
<i>Michigan</i>			
Sterling Heights Shopping Center	Detroit	2004	154,835
Various Regions			
Kroger/Safeway Portfolio	Various	2003	<u>1,018,100</u>
Total			<u>1,981,484</u>

In November 2006, we acquired the remaining 50% interest from its unaffiliated partner in the Tarrytown Center for \$3.5 million.

During February 2006, we finalized an agreement with its unaffiliated partner in the Hitchcock and Pine Log Plazas whereby we converted our common equity interest in the properties to a preferred equity position with a 15% preferred return payable currently and a 20% profit interest after all invested capital and preferred returns are paid. In connection with this agreement, our partner assumed all operational, redevelopment and leasing responsibilities

Other Investments

In March of 2005, we invested \$20 million in a preferred equity position (“Preferred Equity”) in Levitz SL, L.L.C. (“Levitz SL”), the owner of fee and leasehold interests in 30 locations (the “Levitz Properties”), totaling 2.5 million square feet, of which the majority are currently leased to Levitz Furniture Stores. In October 2005, Levitz Furniture filed for bankruptcy under Chapter 11. Klaff is a managing member of Levitz SL. The Preferred Equity investment received a return of 10%, plus a minimum return of capital of \$2.0 million per annum. During March 2006, the rate of return was reset to the six-month LIBOR plus 644 basis points or 11.5%.

On June 1, 2006, we converted the Preferred Equity Investment to a first mortgage loan and advanced additional proceeds bringing the total outstanding amount to \$31.3 million. The loan has a maturity date of May 31, 2008 and bears interest at a rate of 10.5%. The loan was secured by fee and leasehold mortgages as well as a pledge of the entities owning 19 of the above remaining locations totaling 1.8 million square feet. During the third quarter of 2006, Levitz SL sold one of the Levitz Properties located in Northridge, California and used \$20.4 million of the proceeds to pay down the loan. As of December 31, 2006, the loan balance amounted to \$10.9 million. Although Levitz Furniture is currently operating under Chapter 11 bankruptcy protection, we believe the underlying value of the real estate is sufficient to recover the principal and interest due under the mortgage.

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ASSET SALES AND CAPITAL/ASSET RECYCLING

We periodically identify certain properties for disposition and redeploy the capital to existing centers or acquisitions with greater potential for capital appreciation. Since January 1, 2004, we have sold the following assets:

<u>Shopping Center</u>	<u>Location</u>	<u>Date sold</u>	<u>GLA</u>	<u>Sales price (dollars in thousands)</u>
Soundview Marketplace	Long Island, New York	December 2006	183,815	\$ 24,000
Bradford Towne Centre	Northeast Pennsylvania	November 2006	257,123	16,000
Greenridge Plaza	Northeast Pennsylvania	November 2006	191,767	10,600
Pittston Plaza	Northeast Pennsylvania	November 2006	79,498	6,000
Luzerne Street Shopping Center	Northeast Pennsylvania	November 2006	58,035	3,600
Berlin Shopping Center	Central New Jersey	July 2005	188,688	4,000
East End Centre	Northeast Pennsylvania	November 2004	305,858	12,400
Total			<u>1,264,784</u>	<u>\$ 76,600</u>

Proceeds from these sales in part have been used to fund the following acquisitions:

In September 2006, we purchased 2914 Third Avenue in the Bronx, New York for \$18.5 million. The 41,305 square foot property is 100% leased and is located in a densely populated, high barrier-to-entry, infill area.

In June 2006, we purchased 8400 and 8625 Germantown Road in Philadelphia, Pennsylvania for \$16.0 million. Tenants at these "Main Street" locations include Borders bookstore, Talbot's and Limited Express.

During January 2006, we closed on a 20,000 square foot retail building in the Lincoln Park district in Chicago. The property was acquired from an affiliate of Klaff for \$9.9 million. Tenants include Starbucks, Nine West, Vitamin Shoppe and Cold Stone Creamery.

Also during January 2006, we acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey. The property, which is 100% occupied and located in northeastern New Jersey, is a 63,000 square foot shopping center anchored by a 49,000 square foot A&P Supermarket. The remaining 40% interest is owned by a principal of P/A. The interest was acquired for \$3.2 million.

During July 2005 we purchased 4343 Amboy Road located in Staten Island, New York for \$16.6 million in cash and \$0.2 million in Common OP Units. The property, a 60,000 square foot neighborhood shopping center, is anchored by a Waldbaum's supermarket and a Duane Reade drug store, and is subject to a 23-year ground lease.

PROPERTY REDEVELOPMENT AND EXPANSION

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

During 2006, we commenced the redevelopment and re-tenanting of the Bloomfield Town Square, located in Bloomfield Hills, Michigan. A former out-parcel building was demolished and replaced with a 17,500 square foot building now occupied by Drexel Heritage and Panera Bread. The new tenants opened and commenced paying rent during the third and fourth quarters of 2006, respectively, and are paying a combined base rent at a 127% increase over that of the former tenant. In addition, the Company has leased approximately 26,000 square feet to Circuit City, which is anticipated to open and commence paying rent in the fourth quarter of 2007 at a 79% increase over that of the former tenants. Total costs for this project are expected to be \$3.3 million.

During 2004, we completed the redevelopment of the New Loudon Center, located in Latham, New York. A new anchor, The Bon Ton Department Store, opened for business during the fourth quarter of 2003 as part of the redevelopment of this shopping center. Occupying 66,000 square feet formerly occupied by an Ames department store, Bon Ton is paying base rent at a 15% increase over that of Ames. During 2004, Marshall's, an existing tenant at the center, expanded its current 26,000 square foot store to 37,000 square feet. We also installed a new 49,000 square foot Raymour and Flanigan Furniture store at this center during 2004. This community shopping center is now 100% occupied. Costs incurred for this project totaled \$0.4 million.

We also completed the redevelopment and re-anchoring of the Town Line Plaza, located in Rocky Hill, Connecticut during 2004. The former building, occupied by GU Markets, was demolished and replaced with a 66,000 square foot Super Stop & Shop. The new supermarket anchor is paying gross rent at a 33% increase over that of the former tenant with no interruption in rent payments. Costs for this project totaled \$1.7 million.

COMPETITION

There are numerous entities that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Our competitors include other REIT's, financial institutions, insurance companies, pension funds, private companies and individuals. Our properties compete for tenants with similar properties primarily on the basis of location, total occupancy costs (including base rent and operating expenses), services provided, and the design and condition of the improvements.

FINANCIAL INFORMATION ABOUT MARKET SEGMENTS

We have two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the notes to the consolidated financial statements appearing in Item 8 of this Annual Report on Form 10-K. We evaluate property performance primarily based on net operating income before depreciation, amortization and certain non-recurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with retail versus residential tenants. We do not have any foreign operations. See Note 3 to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for certain information regarding each of our segments.

CORPORATE HEADQUARTERS AND EMPLOYEES

Our executive offices are located at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, and our telephone number is (914) 288-8100. We have 130 employees, of which 105 are located at our executive office, six at the Pennsylvania regional office and the remaining property management personnel are located on-site at our properties.

COMPANY WEBSITE

All of our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge at our website at www.acadiarealty.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. These filings can also be accessed through the Securities and Exchange Commission's website at www.sec.gov. Alternatively, we will provide paper copies of our filings free of charge upon request.

CODE OF ETHICS AND WHISTLEBLOWER POLICIES

The Board of Trustees adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, Director of Financial Reporting, Director of Taxation and Assistant Controllers. The Board also adopted a Code of Business Conduct and Ethics applicable to all employees, as well as a "Whistleblower Policy". Copies of these documents are available in the Investor Information section of our website.

ITEM 1A. RISK FACTORS:

If any of the following risks actually occur, our business, results of operations and financial condition would likely suffer. This section includes or refers to certain forward-looking statements. Refer to the explanation of the qualifications and limitations on such forward-looking statements discussed in the beginning of this Form 10-K.

We rely on revenues derived from major tenants.

We derive significant revenues from certain anchor tenants that occupy space in more than one center. We could be adversely affected in the event of the bankruptcy or insolvency of, or a downturn in the business of, any of our major tenants, or in the event that any such tenant does not renew its leases as they expire or renews at lower rental rates. Vacated anchor space not only would reduce rental revenues if not re-tenanted at the same rental rates but also could adversely affect the entire shopping center because of the loss of the departed anchor tenant's customer drawing power. Loss of customer drawing power also can occur through the exercise of the right that most anchors have to vacate and prevent re-tenanting by paying rent for the balance of the lease term, or the departure of an anchor tenant that owns its own property. In addition, in the event that certain major tenants cease to occupy a property, such an action may result in a significant number of other tenants having the right to terminate their leases, or pay a reduced rent based on a percentage of the tenant's sales, at the affected property, which could adversely affect the future income from such property.

Tenants may seek the protection of the bankruptcy laws, which could result in the rejection and termination of their leases and thereby cause a reduction in the cash flow available for distribution by us. Such reduction could be material if a major tenant files bankruptcy. See the risk factor titled, "The bankruptcy of, or a downturn in the business of, any of our major tenants may adversely affect our cash flows and property values" below.

Limited control over joint venture investments.

Our joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our joint venture partner might have different interests or goals than we do. Other risks of joint venture investments include impasse on decisions, such as a sale, because neither we nor a joint venture partner would have full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in joint ventures.

Through our investments in joint ventures we have also invested in operating businesses that have operational risk in addition to the risks associated with real estate investments, including among other risks, human capital issues, adequate supply of product and material, and merchandising issues.

During 2006 and 2005, our joint ventures provided Promote income. There can be no assurance that the joint ventures will continue to operate profitably and thus provide additional Promote income in the future.

Under the terms of our Fund II joint venture, we are required to first offer to Fund II all of our opportunities to acquire retail shopping centers. Only if (i) our joint venture partner elects not to approve Fund II's pursuit of an acquisition opportunity; (ii) the ownership of the acquisition opportunity by Fund II would create a material conflict of interest for us; (iii) we require the acquisition opportunity for a "like-kind" exchange; or (iv) the consideration payable for the acquisition opportunity is our Common Shares, OP Units or other securities, may we pursue the opportunity directly. As a result, we may not be able to make attractive acquisitions directly and may only receive a minority interest in such acquisitions through Fund II.

We operate through a partnership structure, which could have an adverse effect on our ability to manage our assets.

Our primary property-owning vehicle is the Operating Partnership, of which we are the general partner. Our acquisition of properties through the Operating Partnership in exchange for interests in the Operating Partnership may permit certain tax deferral advantages to limited partners who contribute properties to the Operating Partnership. Since properties contributed to the Operating Partnership may have unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such properties prior to contribution, the sale of such properties could cause adverse tax consequences to the limited partners who contributed such properties. Although we, as the general partner of the Operating Partnership, generally have no obligation to consider the tax consequences of our actions to any limited partner, there can be no assurance that the Operating Partnership will not acquire properties in the future subject to material restrictions designed to minimize the adverse tax consequences to the limited partners who contribute such properties. Such restrictions could result in significantly reduced flexibility to manage our assets.

There are risks relating to investments in real estate.

Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the quality and philosophy of management, competition from other available space, the ability of the owner to provide adequate maintenance and insurance and to control variable operating costs. Shopping centers, in particular, may be affected by changing perceptions of retailers or shoppers regarding the safety, convenience and attractiveness of the shopping center and by the overall climate for the retail industry generally. Real estate values are also affected by such factors as government regulations, interest rate levels, the availability of financing and potential liability under, and changes in, environmental, zoning, tax and other laws. A significant portion of our income is derived from rental income from real property, our income and cash flow would be adversely affected if a significant number of our tenants were unable to meet their obligations, or if we were unable to lease on

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economically favorable terms a significant amount of space in our properties. In the event of default by a tenant, we may experience delays in enforcing, and incur substantial costs to enforce, our rights as a landlord. In addition, certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment.

The bankruptcy of, or a downturn in the business of, any of our major tenants may adversely affect our cash flows and property values.

The bankruptcy of, or a downturn in the business of, any of our major tenants causing them to reject their leases, or not renew their leases as they expire, or renew at lower rental rates may adversely affect our cash flows and property values. Furthermore, the impact of vacated anchor space and the potential reduction in customer traffic may adversely impact the balance of tenants at the center.

Certain of our tenants have experienced financial difficulties and have filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 Bankruptcy"). Pursuant to bankruptcy law, tenants have the right to reject their leases. In the event the tenant exercises this right, the landlord generally has the right to file a claim for lost rent equal to the greater of either one year's rent (including tenant expense reimbursements) for remaining terms greater than one year, or 15% of the rent remaining under the balance of the lease term, but not to exceed three years rent. Actual amounts to be received in satisfaction of those claims will be subject to the tenant's final plan of reorganization and the availability of funds to pay its creditors.

Since January 1, 2003, there have been two significant tenant bankruptcies within our portfolio:

On May 30, 2003, The Penn Traffic Company ("Penn Traffic") filed for protection under Chapter 11 Bankruptcy. Penn Traffic operated in one location in our wholly-owned portfolio in 52,000 square feet. Rental revenues from this tenant at this location were \$0.3 million, \$0.4 million and \$0.5 million for the years ended December 31, 2006, 2005 and 2004, respectively. As of November 3, 2006 we sold this property. Penn Traffic also operated in a location occupying 55,000 square feet at a property in which we, through Fund I, hold a 22.2% ownership interest. Penn Traffic rejected the lease at this location on February 20, 2004. Our pro-rata share of rental revenues from the tenant at this location was \$0.02 million for the year ended December 31, 2004.

On January 14, 2004, KB Toys ("KB") filed for protection under Chapter 11 Bankruptcy. KB operated in five locations in our wholly-owned portfolio totaling approximately 41,000 square feet. Rental revenues from KB at these locations aggregated \$0.3 million, \$ 0.3 million and \$0.8 million for the years ended December 31, 2006, 2005 and 2004, respectively. KB rejected the lease at three of these locations and continues to operate in two of our wholly-owned locations but has neither assumed nor rejected these two leases. KB also operated in a location occupying 20,000 square feet at a property in which we hold a 22.2% ownership interest. KB rejected the lease at this location during 2004 and our pro-rata share of rental revenues at this location were \$0.04 million for the year ended December 31, 2004.

We could be adversely affected by poor market conditions where properties are geographically concentrated.

Our performance depends on the economic conditions in markets in which our properties are concentrated. We have significant exposure to the New York region, from which we derive 33% of the annual base rents within our wholly-owned portfolio. Our operating results could be adversely affected if market conditions, such as an oversupply of space or a reduction in demand for real estate, in this area become more competitive relative to other geographic areas.

Our ability to change our portfolio is limited because real estate investments are illiquid.

Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions will be limited. Our board of trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. We could change our investment, disposition and financing policies without a vote of our shareholders.

Market interest rates could have an adverse effect on our share price.

One of the factors that may influence the trading price of our Common Shares is the annual dividend rate on our Common Shares as a percentage of its market price. An increase in market interest rates may lead purchasers of our Common Shares to seek a higher annual dividend rate, which could adversely affect the market price of our Common Shares and our ability to raise additional equity in the public markets.

We could become highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions.

We have incurred, and expect to continue to incur, indebtedness in furtherance of our activities. Neither our Declaration of Trust nor any policy statement formally adopted by our board of trustees limits either the total amount of indebtedness or the specified percentage of indebtedness that we may incur. Accordingly, we could become more highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to make distributions.

Our loan agreements contain customary representations, covenants and events of default. Certain loan agreements require us to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios.

Interest expense on our variable debt as of December 31, 2006 would increase by \$0.9 million annually for a 100 basis point increase in interest rates. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

We enter into interest-rate hedging transactions, including interest rate swaps and cap agreements, with counterparties. There can be no guarantee that the financial condition of these counterparties will enable them to fulfill their obligations under these agreements.

We may not be able to renew current leases and the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms.

Upon the expiration of current leases for space located in our properties, we may not be able to re-let all or a portion of that space, or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms. If we are unable to re-let promptly all or a substantial portion of the space located in our properties or if the rental rates we receive upon re-letting are significantly lower than current rates, our net income and ability to make expected distributions to our shareholders will be adversely affected due to the resulting reduction in rent receipts. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases. See “Item 2. Properties – Lease Expirations” in this Annual Report on Form 10-K for additional information as to the scheduled lease expirations in our portfolio.

Possible liability relating to environmental matters.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, we may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under our property, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and penalties and damages for injuries to persons and adjacent property). These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on us in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages and our liability therefore could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect our ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to make distributions.

A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of our tenants to satisfy any obligations with respect to the property leased to that tenant, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business, and prior to the acquisition of any property from a third party or as required by our financing sources, we authorize the preparation of Phase I environmental reports and, when necessary, Phase II environmental reports, with respect to our properties. Based upon these environmental reports and our ongoing review of our properties, as of the date of this prospectus supplement, we are not aware of any environmental condition with respect to any of our properties that we believe would be reasonably likely to have a material adverse effect on us. There can be no assurance, however, that the environmental reports will reveal all environmental conditions at our properties or that the following will not expose us to material liability in the future:

- The discovery of previously unknown environmental conditions;
- Changes in law;
- Activities of tenants; and
- Activities relating to properties in the vicinity of our properties.

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Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which could adversely affect our financial condition or results of operations.

Competition may adversely affect our ability to purchase properties and to attract and retain tenants.

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Our competitors include other REIT's, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that we wish to purchase. In addition, retailers at our properties face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing, which could (i) reduce rents payable to us; (ii) reduce our ability to attract and retain tenants at our properties; and (iii) lead to increased vacancy rates at our properties.

We have pursued, and may in the future continue to pursue extensive growth opportunities which may result in significant demands on our operational, administrative and financial resources.

We have pursued extensive growth opportunities. This expansion has placed significant demands on our operational, administrative and financial resources. The continued growth of our real estate portfolio can be expected to continue to place a significant strain on its resources. Our future performance will depend in part on our ability to successfully attract and retain qualified management personnel to manage the growth and operations of our business and to finance such acquisitions. In addition, acquired properties may fail to operate at expected levels due to the numerous factors that may affect the value of real estate. There can be no assurance that we will have sufficient resources to identify and manage acquired properties or otherwise be able to maintain our historic rate of growth.

Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.

Our earnings growth strategy is based on the acquisition and development of additional properties, including acquisitions through co-investment programs such as joint ventures. In the context of our business plan, "development" generally means an expansion or renovation of an existing property. The consummation of any future acquisitions will be subject to satisfactory completion of our extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. We cannot be sure that we will be able to implement our strategy because we may have difficulty finding new properties, negotiating with new or existing tenants or securing acceptable financing.

Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. Redevelopment is subject to numerous risks, including risks of construction delays, cost overruns or force majeure that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and the incurrence of development costs in connection with projects that are not pursued to completion.

A component of our growth strategy is through private-equity type investments made through our RCP Venture. These include investments in operating retailers. The inability of the retailers to operate profitably would have an adverse impact on income realized from these investments.

Our board of trustees may change our investment policy without shareholder approval.

Our board of trustees will determine our investment and financing policies, our growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies. Our board of trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. Although our board of trustees has no present intention to revise or amend our strategies and policies, it may do so at any time without a vote by our shareholders. Accordingly, our shareholders' control over changes in our strategies and policies is limited to the election of trustees, and changes made by our board of trustees may not serve the interests of all of our shareholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

There can be no assurance we have qualified or will remain qualified as a REIT for federal income tax purposes.

We believe that we have met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code, for which there are only limited judicial or administrative interpretations. No assurance can be given that we have qualified or will remain qualified as a REIT. The Internal Revenue Code provisions and income tax regulations applicable to REIT's are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If we do not qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available for distribution to our shareholders would be significantly reduced for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

Distribution requirements imposed by law limit our operating flexibility.

To maintain our status as a REIT for federal income tax purposes, we are generally required to distribute to our shareholders at least 90% of our taxable income for that calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85% of our ordinary income for that year; (ii) 95% of our capital gain net income for that year and; (iii) 100% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Internal Revenue Code and to reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.

We carry comprehensive liability, fire, extended coverage and rent loss insurance on most of our properties, with policy specifications and insured limits customarily carried for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we generally do not maintain rent loss insurance. In addition, there are certain types of losses, such as losses resulting from wars, terrorism or acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

Limits on ownership of our capital shares.

For the Company to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of each taxable year after 1993, and such capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year). Our Declaration of Trust includes certain restrictions regarding transfers of our capital shares and ownership limits that are intended to assist us in satisfying these limitations. These restrictions and limits may not be adequate in all cases, however, to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limit discussed above may have the effect of delaying, deferring or preventing someone from taking control of us.

Actual or constructive ownership of our capital shares in excess of the share ownership limits contained in our Declaration of Trust would cause the violative transfer or ownership to be null and void from the beginning and subject to purchase by us at a price equal to the lesser of (i) the price stipulated in the challenged transaction; and (ii) the fair market value of such shares (determined in accordance with the rules set forth in our declaration of trust). As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits.

Adverse legislative or regulatory tax changes could have an adverse effect on us.

There are a number of issues associated with an investment in a REIT that are related to the federal income tax laws, including, but not limited to, the consequences of failing to continue to qualify as a REIT. At any time, the federal income tax laws governing REIT's or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or our shareholders. Recently enacted legislation reduces tax rates applicable to certain corporate dividends paid to most domestic noncorporate shareholders. REIT dividends generally are not eligible for reduced rates because a REIT's income generally is not subject to corporate level tax. As a result, investment in non-REIT corporations may be viewed as relatively more attractive than investment in REIT's by domestic noncorporate investors. This could adversely affect the market price of the Company's shares.

Concentration of ownership by certain investors.

Six shareholders own 5% or more individually, and 42.7% in the aggregate, of our Common Shares. A significant concentration of ownership may allow an investor to exert a greater influence over our management and affairs and may have the effect of delaying, deferring or preventing a change in control of us.

Restrictions on a potential change of control.

Our Board of Trustees is authorized by our Declaration of Trust to establish and issue one or more series of preferred shares without shareholder approval. We have not established any series of preferred shares. However, the establishment and issuance of a series of preferred shares could make more difficult a change of control of us that could be in the best interest of the shareholders.

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In addition, we have entered into an employment agreement with our Chief Executive Officer and severance agreements are in place with our senior vice presidents which provide that, upon the occurrence of a change in control of us and either the termination of their employment without cause (as defined) or their resignation for good reason (as defined), those executive officers would be entitled to certain termination or severance payments made by us (which may include a lump sum payment equal to defined percentages of annual salary and prior years' average bonuses, paid in accordance with the terms and conditions of the respective agreement), which could deter a change of control of us that could be in our best interest.

The loss of a key executive officer could have an adverse effect on us.

Our success depends on the contribution of key management members. The loss of the services of Kenneth F. Bernstein, President and Chief Executive Officer, or other key executive-level employees could have a material adverse effect on our results of operations. Although we have entered into an employment agreement with Mr. Kenneth F. Bernstein, the loss of his services could have an adverse effect on our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES:

SHOPPING CENTER PROPERTIES

The discussion and tables in this Item 2 include properties held through consolidated and unconsolidated joint ventures in which we own a partial interest ("Consolidated Joint Venture Portfolio" and Unconsolidated Joint Venture Portfolio", respectively). Except where noted, it does not include our partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets. These are detailed separately within this Item 2 as the majority of these properties are free-standing and all are triple-net leases.

As of December 31, 2006, we owned and operated 47 shopping centers as part of our wholly-owned portfolio and Consolidated and Unconsolidated Joint Venture Portfolios, which included a mixed-use property (retail and residential), and twelve properties under redevelopment. Our shopping centers, which total approximately 8.4 million square feet of gross leaseable area ("GLA"), are located in 14 states and are generally well-established, anchored community and neighborhood shopping centers. The operating properties are diverse in size, ranging from approximately 15,000 to 815,000 square feet with an average size of 116,000 square feet. As of December 31, 2006, our wholly-owned portfolio and the Consolidated and Unconsolidated Joint Venture Portfolios (excluding properties under redevelopment) were 94.0% and 95.1% occupied, respectively. Our shopping centers are typically anchored by supermarkets or value-oriented retail.

We had approximately 656 leases as of December 31, 2006. A majority of our rental revenues were from national tenants. A majority of the income from the properties consists of rent received under long-term leases. Most of these leases provide for the payment of fixed minimum rent monthly in advance and for the payment by tenants of a pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. Minimum rents and expense reimbursements accounted for approximately 82% of our total revenues for the year ended December 31, 2006.

As of December 31, 2006, approximately 43% of our existing leases also provided for the payment of percentage rents either in addition to, or in place of, minimum rents. These arrangements generally provide for payment to us of a certain percentage of a tenant's gross sales in excess of a stipulated annual amount. Percentage rents accounted for approximately 1% of the total 2006 revenues of the Company.

Seven of our shopping center properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to us. We pay rent for the use of the land at seven locations and are responsible for all costs and expenses associated with the building and improvements at all seven locations.

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No individual property contributed in excess of 10% of our total revenues for the years ended December 31, 2006, 2005 and 2004. Reference is made to our consolidated financial statements in Item 8 of this Annual Report on form 10-K for information on the mortgage debt pertaining to our properties. The following sets forth more specific information with respect to each of our shopping centers at December 31, 2006:

WHOLLY-OWNED PROPERTIES

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
NEW YORK REGION						
Connecticut						
239 Greenwich Avenue	Greenwich	1998(A)	Fee	16,834(3)	100%	Restoration Hardware 2015/2025 Coach 2016/2021
New York						
Village Commons Shopping Center	Smithtown	1998(A)	Fee	87,169	86%	Daffy's 2008/2028
Branch Shopping Plaza	Smithtown	1998(A)	LI (4)	125,751	100%	Waldbaum's 2013/2028 CVS 2010/—
Pacesetter Park Shopping Center	Pomona	1999(A)	Fee	96,698	98%	Stop & Shop 2020/2040
Amboy Road	Staten Island	2005(A)	LI (4)	60,090	98%	Waldbaum's 2028/— Duane Reade 2008/2018
Bartow Avenue	Bronx	2005(C)	Fee	14,694	51%	Sleepy's 2009/2014
2914 Third Avenue	Bronx	2006(A)	Fee	43,500	100%	Dr. J's 2021/—
New Jersey						
Elmwood Park Shopping Center	Elmwood Park	1998(A)	Fee	149,085	100%	Pathmark 2017/2052 Walgreen's 2022/2062
Boonton Shopping Center	Boonton	2006(A)	Fee	62,908	98%	A&P 2024
NEW ENGLAND REGION						
Connecticut						
Town Line Plaza	Rocky Hill	1998(A)	Fee	206,356(2)	100%	Stop & Shop 2023/2063 Wal-Mart(2)
Massachusetts						
Methuen Shopping Center	Methuen	1998(A)	LI/Fee (4)	130,021	97%	DeMoulas Market 2015/2020 Wal-Mart 2011/2051
Crescent Plaza	Brockton	1984(A)	Fee	218,141	99%	Shaw's 2012/2042 Home Depot 2021/2056
New York						
New Loudon Center	Latham	1982(A)	Fee	255,826	100%	Price Chopper 2015/2035 Marshall's 2014/2029 Bon Ton 2014/2034 Raymour and Flanigan 2019/2034
Rhode Island						
Walnut Hill Plaza	Woonsocket	1998(A)	Fee	285,418	98%	Shaw's 2013/2043 Sears 2008/2033
Vermont						
The Gateway Shopping Center	South Burlington	1999(A)	Fee	101,784	96%	Shaw's 2024/2053

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Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
MIDWEST REGION						
Illinois						
Hobson West Plaza	Naperville	1998(A)	Fee	98,902	99%	Bobak's Market & Restaurant 2007/2032
Clark Diversey	Chicago	2006(A)	Fee	19,265	100%	Papyrus 2010/2015 Starbucks 2010/2015 Nine West 2009/— The Vitamin Shoppe 2014/2024
Indiana						
Merrillville Plaza	Merrillville	1998(A)	Fee	235,678	96%	TJ Maxx 2009/2014 JC Penney 2008/2018 Office Max 2008/2028
Michigan						
Bloomfield Town Square	Bloomfield Hills	1998(A)	Fee	232,366	87%	TJ Maxx 2009/— Marshalls 2011/2026 Home Goods 2010/2025
Ohio						
Mad River Station	Dayton	1999(A)	Fee	155,838(6)	79%	Babies 'R' Us 2010/2020 Office Depot 2010/—
MID-ATLANTIC REGION						
New Jersey						
Marketplace of Absecon	Absecon	1998(A)	Fee	105,097	95%	Acme 2015/2055 Eckerd Drug 2020/2040
Ledgewood Mall	Ledgewood	1983(A)	Fee	518,950	88%	Wal-Mart 2019/2049 Macy's 2010/2025 The Sport's Authority 2007/2037 Circuit City 2020/2040 Marshalls 2014/2034
Pennsylvania						
Abington Towne Center	Abington	1998(A)	Fee	216,355(5)	98%	TJ Maxx 2010/2020 Target (6)
Blackman Plaza	Wilkes-Barre	1968(C)	Fee	125,264	93%	Kmart 2009/2049
Mark Plaza	Edwardsville	1968(C)	LI/Fee (4)	216,401	97%	Redner's Markets 2018/2028 Kmart 2009/2049
Plaza 422	Lebanon	1972(C)	Fee	154,878	69%	Home Depot 2028/2058
Route 6 Mall	Honesdale	1994(C)	Fee	175,505	99%	Kmart 2020/2070
Chestnut Hill	Philadelphia	2006(A)	Fee	40,570	100%	Borders 2010/- Limited Express 2009/--
Wholly-owned portfolio				<u>4,149,344</u>	<u>94%</u>	

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PROPERTIES HELD IN CONSOLIDATED JOINT VENTURES

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
NEW YORK REGION						
New York						
Tarrytown Shopping Center	Tarrytown	2004(A)	JV (9)	35,291	85%	Walgreen's 2080/--
MIDWEST REGION						
Illinois						
Oakbrook	Oakbrook	2005(A)	JV (4) (10)	112,000	100%	Neiman Marcus 2011/2029
Ohio						
Amherst Marketplace	Columbus	2002(A)	JV (9)	134,997	43%	Giant Eagle 2021/2041 Riser Foods Company/Pharmacy 2012/2027 Lifestyle Family Fitness 2017/2027
Granville Centre	Cleveland	2002(A)	JV (9)	112,534	94%	Giant Eagle 2022/2042 Revco Drug 2012/2027
Sheffield Crossing						
VARIOUS REGIONS						
	Various	2003(A)	JV (9)	1,018,100	100%	25 Kroger/Safeway Supermarkets 2009/2049
Kroger/Safeway Portfolio						
JV REDEVELOPMENTS						
New York						
400 E. Fordham Road	Bronx	2004(A)	JV (10)	117,355	100%	Sears 2021/2031
Pelham Manor Shopping Plaza						
161st Street	Bronx	2005(A)	JV (10)	223,611	100%	City of New York 2027/2032
Sherman Avenue	New York	2005(A)	JV (10)	134,773	100%	
Liberty Avenue	New York	2005(A)	JV (4) (10)	—(12)	— (12)	
216th Street	New York	2005(A)	JV (10)	—(12)	— (12)	
	Consolidated Joint Venture Portfolio			<u>2,367,381</u>	<u>89%</u>	

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PROPERTIES HELD IN UNCONSOLIDATED JOINT VENTURES

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1)% 12/31/06	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
NEW YORK REGION						
New York						
Crossroads Shopping Center	White Plains	1998(A)	JV (7)	310,644	98%	Waldbaum's 2007/2032 Kmart 2012/2022 B. Dalton 2012/2017 Modell's 2009/2019
MID-ATLANTIC REGION						
Delaware						
Brandywine Town Center	Wilmington	2003(A)	JV (11)	815,215	98%	Drexel Heritage 2016/2026 Michaels 2011/2006 Old Navy (The Gap) 2011/2016 Petsmart 2017/2042 Thomasville Furniture 2011/2021 Access Group 2015/2025 Bed, Bath & Beyond 2014/2029 Dick's Sporting Goods 2013/2028 Lowe's Home Centers 2018/2048 Regal Cinemas 2017/2037 Target 2018/2068 Transunion Settlement 2013/2018 The Bombay Company 2015/2025 Lane Home Furnishings 2015/2030 MJM Designer 2015/2035
Market Square Shopping Center	Wilmington	2003(A)	JV (11)	102,562	79%	Trader Joe's 2013/2028 TJ Maxx 2006/2016
JV REDEVELOPMENTS						
Michigan						
Sterling Heights Shopping Center	Detroit	2004(A)	JV (9)	154,835	64%	Burlington Coat Factory 2024/--
Delaware						
Naamans Road	Wilmington	2006(C)	JV (11)	19,932	45%	Tweeters 2026/2046
South Carolina						
Hitchcock Plaza	Aiken	2004(A)	JV (9)	232,383	78%	Bed, Bath & Beyond 2008/2017 Club Fitness 2004/2014 Old Navy 2006/2021 Stein Mart 2006/2016 Ross Dress for Less 2006/2017 TJ Maxx 2006/2016
Pine Log Plaza	Aiken	2004(A)	JV (9)	35,064	82%	
Virginia						
Haygood Shopping Center	Virginia Beach	2004(A)	JV (9)	178,335	75%	Eckerd Drug 2009/-- Farm Fresh 2026/--
	Unconsolidated Joint Venture Portfolio			<u>1,848,970</u>	<u>81%</u>	

Notes:

(1) Does not include space leased for which rent has not yet commenced.

- (2) Includes a 92,500 square foot Wal-Mart which is not owned us.
- (3) In addition to the 16,834 square feet of retail GLA, this property also has 21 apartments comprising 14,434 square feet.
- (4) We are a ground lessee under a long-term ground lease.
- (5) Includes a 157,616 square foot Target Store that is not owned by the Company.
- (6) The GLA for this property includes 28,205 square feet of office space.
- (7) We have a 49% investment in this property.
- (8) Does not include 50,000 square feet of new space in Phase II of the Brandywine Town Center, which will be paid for on an Earn-out basis only if, and when, it is leased.
- (9) We have invested in this asset through Fund I.
- (10) We have invested in this asset through Fund II.
- (11) We have invested in this asset with Ginsburg Development Corp. (GDC).
- (12) Under redevelopment.

MAJOR TENANTS

No individual retail tenant accounted for more than 5.4% of minimum rents for the year ended December 31, 2006 or 8.8% of total leased GLA as of December 31, 2006. The following table sets forth certain information for the 20 largest retail tenants based upon minimum rents in place as of December 31, 2006. The table includes leases related to our partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets. The amounts below include our pro-rata share of GLA and annualized base rent for our partial ownership interest in properties (GLA and rent in thousands):

Retail Tenant	Number of Stores in Portfolio	Total GLA	Annualized Base Rent (1)	Percentage of Total Represented by Retail Tenant	
				Total Portfolio GLA (2)	Annualized Base Rent (2)
Albertsons (Shaw's, Acme)	4	221	\$ 3,013	4.2%	5.4%
A&P (Waldbaum's)	4	168	2,813	3.3%	5.0%
T.J. Maxx (T.J. Maxx, Marshalls, A.J. Wrights)	9	266	2,018	5.1%	3.6%
Sears (Sears, Kmart)	6	459	1,686	8.8%	3.0%
Wal-Mart	2	210	1,515	4.0%	2.7%
Ahold (Stop & Shop)	2	118	1,289	2.3%	2.3%
Home Depot	2	211	1,010	4.1%	1.8%
Pathmark	1	48	956	0.9%	1.7%
Price Chopper	1	77	804	1.5%	1.5%
Restoration Hardware	1	9	697	0.2%	1.2%
Kroger (3)	12	156	1,137	3.0%	2.0%
Safeway (4)	13	132	1,134	2.5%	2.0%
Federated (Macy's)	1	73	651	1.4%	1.2%
Sleepy's	5	36	621	0.7%	1.1%
JC Penney	1	50	495	1.0%	0.9%
CVS	4	33	527	0.6%	1.0%
Limited Brands – Express	1	13	510	0.3%	0.9%
Payless Shoesource	9	28	509	0.5%	0.9%
Borders Books	1	19	482	0.4%	0.9%
Circuit City	1	33	450	0.6%	0.8%
Total	80	2,360	\$ 22,317	45.4%	39.9%

Notes:

- (1) Base rents do not include percentage rents (except where noted), additional rents for property expense reimbursements, and contractual rent escalations due after December 31, 2006.
- (2) Represents total GLA and annualized base rent for our retail properties including our pro-rata share of Joint Venture Properties.
- (3) Kroger has sub-leased four of these locations to supermarket tenants, two locations to a non-supermarket tenant and ceased operations at one other location. Kroger is obligated to pay rent through the full term of these leases which expire in 2009.
- (4) Safeway has sub-leased seven of these locations to supermarket tenants, one location to a non-supermarket tenant and ceased operations at one other location. Safeway is obligated to pay rent through the full term of all these leases which expire in 2009.

LEASE EXPIRATIONS

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 2006, assuming that none of the tenants exercise renewal options. Leases related to our joint venture properties are shown separately below before our pro-rata share of annual base rent and GLA (GLA and rent in thousands):

Wholly-Owned Portfolio:

Leases maturing in	Number of Leases	Annualized Base Rent (1)		GLA	
		Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2007	75	4,082	9%	360	10%
2008	55	4,720	11%	321	9%
2009	66	4,934	11%	500	14%
2010	56	5,530	13%	484	13%
2011	38	2,675	6%	166	5%
2012	9	1,591	4%	166	5%
2013	13	2,206	5%	151	4%
2014	17	1,926	4%	216	6%
2015	14	3,362	8%	190	5%
2016	11	1,348	3%	65	2%
Thereafter	29	11,676	26%	1,024	27%
Total	383	\$ 44,050	100%	3,643	100%

Consolidated and Unconsolidated Joint Venture Portfolios:

Leases maturing in	Number of Leases	Annualized Base Rent (1)		GLA	
		Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2007	109	4,152	9%	396	11%
2008	25	3,110	7%	198	5%
2009	44	10,182	23%	1,150	32%
2010	11	767	2%	47	1%
2011	20	7,538	17%	422	12%
2012	6	697	2%	53	1%
2013	7	2,067	5%	117	3%
2014	13	2,270	5%	124	3%
2015	10	3,218	7%	166	5%
2016	3	514	1%	66	2%
Thereafter	25	9,844	22%	892	25%
Total	273	\$ 44,359	100%	3,631	100%

Note:

(1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 2006.

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GEOGRAPHIC CONCENTRATIONS

The following table summarizes our retail properties by region as of December 31, 2006. (GLA and rent in thousands):

Region	GLA (1)	Occupied % (2)	Annualized Base Rent (2)	Annualized Base Rent per Leased Square Foot	Percentage of Total Represented by Region	
					GLA	Annualized Base Rent
Wholly-Owned Portfolio:						
New York Region	657	96%	\$ 14,512	\$ 22.92	16%	33%
New England	1,197	98%	10,091	9.33	29%	23%
Midwest	742	90%	8,554	12.81	18%	19%
Mid-Atlantic	1,553	91%	10,892	8.64	37%	25%
Total Wholly-Owned Portfolio	4,149	94%	\$ 44,049	\$ 12.09	100%	100%
Consolidated and Unconsolidated Joint Venture Portfolios:						
Operating Properties						
Midwest (3)	439	81%	\$ 3,481	\$ 9.78	26%	14%
Mid-Atlantic (4)	918	96%	13,707	15.58	54%	57%
New York Region (5)	346	96%	6,923	20.79	20%	29%
Total Operating Properties	1,703	92%	24,111	15.37	100%	100%
Redevelopment Properties:						
Midwest (6)	155	64%	608	6.13	11%	5%
Mid-Atlantic (7)	466	76%	3,272	9.27	31%	27%
New York Region (8)	874	68%	8,355	14.10	58%	68%
Total Redevelopment Properties	1,495	70%	12,235	11.71	100%	100%
Total Joint Venture Portfolio	3,198	82%	\$ 36,346	\$ 13.91	100%	100%

Notes:

- (1) Property GLA includes a total of 255,000 square feet which is not owned us. This square footage has been excluded for calculating annualized base rent per square foot.
- (2) The above occupancy and rent amounts do not include space which is currently leased, but for which rent payment has not yet commenced.
- (3) We have a 37.78% interest in Fund I which owns three properties and a 20% interest in Fund II which owns one property.
- (4) Does not include 50,000 square feet of new space in Phase II of the Brandywine Town Center, which will be paid for by us on an “earn-out basis” only if, and when it is leased.
- (5) We have a 49% interest in two partnerships which, together, own the Crossroads Shopping Center and a 38% interest in Fund I which owns 100% of the Tarrytown Shopping Center.
- (6) We have a 37.78% interest in Fund I which has a 50% interest in a property.
- (7) We have a 22.22% interest in one property and a 38% interest in Fund I which has interests ranging from 20% to 50% in three properties.
- (8) We have a 20% interest in Fund II which has a 96% interest in four properties.

KROGER/SAFEWAY PORTFOLIO

In January of 2003, Fund I formed a joint venture (the “Kroger/Safeway JV”) with an affiliate of real estate developer and investor AmCap Incorporated (“AmCap”) for the purpose of acquiring a portfolio of twenty-five supermarket leases for \$48.9 million inclusive of the closing and other related acquisition costs. The portfolio, which aggregates approximately 1.0 million square feet, consists of 25 anchor-only leases with Kroger (12 leases) and Safeway supermarkets (13 leases). The majority of the properties are free-standing and all are triple-net leases. The Kroger/Safeway JV acquired the portfolio subject to long-term ground leases with terms, including renewal options, averaging in excess of 80 years, which are master leased to a non-affiliated entity. The rental options for the supermarket leases at the end of their primary lease term in approximately three years (“Primary Term”) are at an average of \$5.13 per square foot. Although there is no obligation for the Kroger/Safeway JV to pay ground rent during the Primary Term, to the extent it exercises an option to renew a ground lease for a property at the end of the Primary Term, it will be obligated to pay an average ground rent of \$1.55 per square foot.

The following table sets forth more specific information with respect to the 25 supermarket leases:

Location	Tenant	Gross leasable area (“GLA”)	Current rent	Rent upon initial option commencement	Lease expiration year/ Last option expiration year
Great Bend, KS	Kroger Co. (1)	48,000	\$ 3.33	\$2.40	2009/2049
Cincinnati, OH	Kroger Co.	32,200	7.49	5.36	2009/2049
Conroe, TX	Kroger Co. (2)	75,000	6.44	4.60	2009/2049
Harahan, LA	Kroger Co. (2)	60,000	6.41	4.61	2009/2049
Indianapolis, IN	Kroger Co.	34,000	5.42	3.87	2009/2049
Irving, TX	Kroger Co.	43,900	6.05	4.32	2009/2049
Pratt, KS	Kroger Co. (1)	38,000	5.26	3.78	2009/2049
Roanoke, VA	Kroger Co.	36,700	12.06	8.62	2009/2049
Shreveport, LA	Kroger Co.	45,000	9.74	6.96	2009/2049
Wichita, KS	Kroger Co. (1)	50,000	10.40	7.48	2009/2049
Wichita, KS	Kroger Co. (1)	40,000	9.70	6.97	2009/2049
Atlanta, TX	Safeway (3)	31,000	6.79	3.98	2009/2049
Batesville, AR	Safeway (1)	29,000	9.74	5.72	2009/2049
Benton, AR	Safeway (1)	33,500	8.02	4.71	2009/2049
Carthage, TX	Safeway (1)	27,700	7.01	4.12	2009/2049
Little Rock, AR	Safeway (1)	36,000	11.22	6.58	2009/2049
Longview, WA	Safeway	48,700	7.64	4.48	2009/2049
Mustang, OK	Safeway (1)	30,200	7.08	4.15	2009/2049
Roswell, NM	Safeway (2)	36,300	10.12	5.94	2009/2049
Ruidoso, NM	Safeway (1)	38,600	10.17	5.97	2009/2049
San Ramon, CA	Safeway	54,000	8.46	4.96	2009/2049
Springerville, AZ	Safeway	30,500	8.24	4.83	2009/2049
Tucson, AZ	Safeway	41,800	7.98	4.68	2009/2049
Tulsa, OK	Safeway (1)	30,000	8.45	4.96	2009/2049
Cary, NC	Kroger Co. (3)	48,000	6.37	4.55	2009/2049
	Total	<u>1,018,100</u>			

Notes:

- (1) The tenant is obligated to pay rent pursuant to the lease and has sub-leased this location to a supermarket sub-tenant.
- (2) The tenant is obligated to pay rent pursuant to the lease and has sub-leased this location to a non-supermarket sub-tenant.
- (3) The tenant is currently not operating at this location although they continue to pay rent in accordance with the lease.

[Table of Contents](#)**MULTI-FAMILY PROPERTIES**

We own two multi-family properties located in the Mid-Atlantic and Midwest regions. As of December 31, 2006, the properties had an average occupancy rate of 90%. The following sets forth more specific information with respect to each of our multi-family properties at December 31, 2006:

<u>Multi-Family Property</u>	<u>Location</u>	<u>Year Acquired</u>	<u>Ownership Interest</u>	<u>Units</u>	<u>% Occupied</u>
Missouri (1) Gate House, Holiday House, Tiger Village and Colony Apartments	Columbia	1998	Fee	874	92%
North Carolina Village Apartments	Winston Salem	1998	Fee	<u>600</u>	<u>86%</u>
Totals				<u>1,474</u>	<u>90%</u>

Notes:

- (1) We own four contiguous residential complexes in Columbia, Missouri which, although owned in two separate entities, are managed as a single property and therefore reflected as such

ITEM 3. LEGAL PROCEEDINGS:

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of 2006.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCK MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

The following table shows, for the period indicated, the high and low sales price for the Common Shares as reported on the New York Stock Exchange, and cash dividends paid during the two years ended December 31, 2006 and 2005:

<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>	<u>Dividend Per Share</u>
2006			
March 31, 2006	\$24.21	\$19.79	\$0.1850
June 30, 2006	23.94	19.51	0.1850
September 30, 2006	26.70	22.70	0.1850
December 31, 2006	27.13	23.81	0.2000
2005			
March 31, 2005	\$16.76	\$15.40	\$0.1725
June 30, 2005	18.68	15.25	0.1725
September 30, 2005	20.13	17.38	0.1725
December 31, 2005	20.79	16.51	0.1850

At March 1, 2007, there were 348 holders of record of the Company’s Common Shares.

(b) Dividends

We have determined that for 2006, 100% of the total dividends distributed to shareholders represented ordinary income. There was no unrecaptured section 1250 gain or nontaxable return of capital in 2006. Our cash flow is affected by a number of factors, including the revenues received from rental properties, our operating expenses, the interest expense on our borrowings, the ability of lessees to meet their obligations to us and unanticipated capital expenditures. Future dividends paid by us will be at the discretion of the Trustees and will depend on our actual cash flows, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant.

(c) Issuer purchases of equity securities

We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of our outstanding Common Shares. Through March 1, 2007, we had repurchased 2.1 million Common Shares at a total cost of \$11.7 million. All of these Common Shares have been subsequently reissued. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. There were no Common Shares repurchased by us during the fiscal year ended December 31, 2006.

(d) Securities authorized for issuance under equity compensation plans

The following table provides information related to our 1999 Share Incentive Plan (the “1999 Plan”), 2003 Share Incentive Plan (the “2003 Plan”) and the 2006 Share Incentive Plan (the “2006 Plan”) as of December 31, 2006:

	<u>Equity Compensation Plan Information</u>		<u>(c)</u> <u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column) (a)</u>
	<u>(a)</u> <u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b)</u> <u>Weighted- average exercise price of outstanding options, warrants and rights</u>	
Equity compensation plans approved by security holders	550,372	\$ 10.01	729,097(1)
Equity compensation plans not approved by security holders	—	—	—
Total	550,372	\$ 10.01	729,097(1)

Notes:

- (1) The 1999, 2003 and 2006 Plans authorize the issuance of options equal to up to a total of 12% of the total Common Shares outstanding from time to time on a fully diluted basis. The 2006 Plan authorizes the issuance of a maximum number of 500,000 Common Shares. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 and 2003 Plans. No participant may receive more than 500,000 Common Shares during the term of the 2006 Plan.

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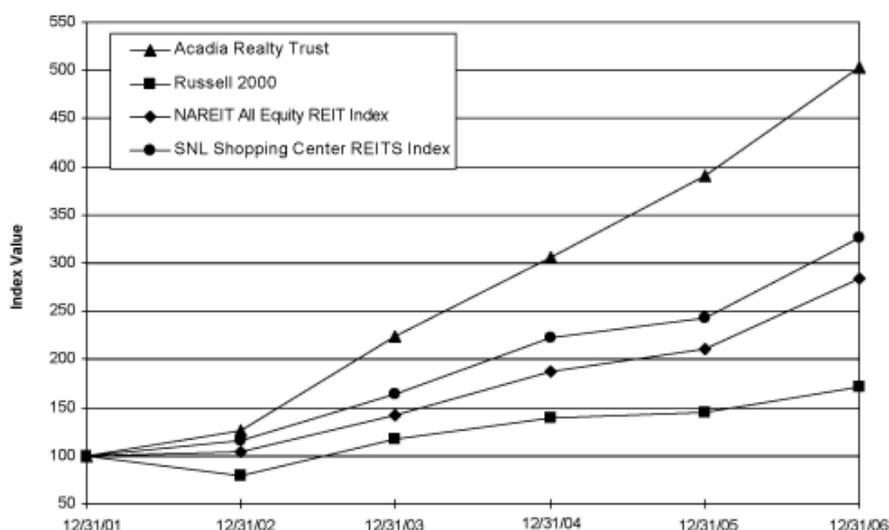
Remaining Common Shares available is as follows:

Outstanding Common Shares as of December 31, 2006	31,772,952
Outstanding OP Units as of December 31, 2006	642,272
Total Outstanding Common Shares and OP Units	32,415,224
12% of Common Shares pursuant to the 1999 and 2003 Plans	3,889,827
Common Shares pursuant to the 2006 Plan	500,000
Total Common Shares available under equity compensations plans	4,389,827
Less: Issuance of Restricted Shares Granted	(880,408)
Issuance of Options Granted	(2,780,322)
Number of Common Shares remaining available	<u>729,097</u>

(e) Share Price Performance Graph

The following graph compares the cumulative total shareholder return for our Common Shares for the period commencing December 31, 2001 through December 31, 2006 with the cumulative total return on the Russell 2000 Index (“Russell 2000”), the NAREIT All Equity REIT Index (the “NAREIT”) and the SNL Shopping Center REITs (the “SNL”) over the same period. Total return values for the Russell 2000, the NAREIT, the SNL and the Common Shares were calculated based upon cumulative total return assuming the investment of \$100.00 in each of the Russell 2000, the NAREIT, the SNL and our Common Shares on December 31, 2001, and assuming reinvestment of such dividends. The shareholder return as set forth in the table below is not necessarily indicative of future performance.

Comparison of 5 Year Cumulative Total Return among Acadia Realty Trust, the Russell 2000, the NAREIT and the SNL:



Index	Period Ending					
	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Acadia Realty Trust	100.00	125.41	224.19	305.64	391.01	503.39
Russell 2000	100.00	79.52	117.09	138.55	144.86	171.47
NAREIT All Equity REIT Index	100.00	103.82	142.37	187.33	210.12	283.78
SNL Shopping Center REITS Index	100.00	115.58	163.87	222.64	242.95	327.02

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth, on a historical basis, our selected financial data. This information should be read in conjunction with our audited consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Form 10-K.

	Years ended December 31, (dollars in thousands, except per share amounts)				
	2006	2005	2004	2003	2002
OPERATING DATA:					
Revenues	\$ 102,693	\$ 100,806	\$ 87,082	\$ 82,791	\$ 57,803
Operating expenses	46,101	41,642	36,135	34,530	26,677
Interest expense	22,451	18,804	16,687	15,573	8,679
Depreciation and amortization	26,637	25,905	22,781	23,672	12,441
Gain in sale of land	—	—	932	1,187	1,530
Equity in earnings of unconsolidated partnerships	2,559	21,280	513	985	542
Minority interest	5,223	(13,952)	(1,466)	(4,899)	(1,686)
Income tax benefit (expense)	508	(2,140)	—	—	—
Income from continuing operations	15,794	19,643	11,458	6,289	10,392
Income from discontinued operations	23,219	983	8,127	1,564	9,007
Net income	<u>\$ 39,013</u>	<u>\$ 20,626</u>	<u>\$ 19,585</u>	<u>\$ 7,853</u>	<u>\$ 19,399</u>
Basic earnings per share:					
Income from continuing operations	\$ 0.49	\$ 0.62	\$ 0.39	\$ 0.24	\$ 0.41
Income from discontinued operations	0.71	0.03	0.28	0.06	0.36
Basic earnings per share	<u>\$ 1.20</u>	<u>\$ 0.65</u>	<u>\$ 0.67</u>	<u>\$ 0.30</u>	<u>\$ 0.77</u>
Diluted earnings per share:					
Income from continuing operations	\$ 0.48	\$ 0.61	\$ 0.38	\$ 0.23	\$ 0.41
Income from discontinued operations	0.70	0.03	0.27	0.06	0.35
Diluted earnings per share	<u>\$ 1.18</u>	<u>\$ 0.64</u>	<u>\$ 0.65</u>	<u>\$ 0.29</u>	<u>\$ 0.76</u>
Weighted average number of Common Shares outstanding					
- basic	32,502	31,949	29,341	26,640	25,321
- diluted	33,153	32,214	29,912	27,232	25,806
Cash dividends declared per Common Share	\$ 0.755	\$ 0.7025	\$ 0.6525	\$ 0.595	\$ 0.52
BALANCE SHEET DATA:					
Real estate before accumulated depreciation	\$ 677,238	\$ 709,906	\$ 599,558	\$ 541,892	\$ 375,149
Total assets	851,692	841,591	636,731	556,278	442,034
Total mortgage indebtedness	347,402	386,600	271,571	277,817	173,074
Total convertible notes payable	100,000	24,400	—	—	—
Minority interest in Operating Partnership	8,673	9,204	6,893	7,875	22,745
Minority interests in partially-owned affiliates	105,064	137,086	75,244	37,681	12,611
Total equity	241,119	220,576	216,924	169,734	161,323
OTHER:					
Funds from Operations (1)	\$ 39,953	\$ 35,842	\$ 30,004	\$ 27,664	\$ 30,162
Cash flows provided by (used in):					
Operating activities	39,627	50,239	33,885	31,031	29,422
Investing activities	(58,890)	(135,470)	(72,860)	(76,552)	31,855
Financing activities	68,359	159,425	40,050	15,454	(50,215)

Notes:

- (1) The Company considers funds from operations (“FFO”) as defined by the National Association of Real Estate Investment Trusts (“NAREIT”) to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. However, the Company’s method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REIT’s. FFO does not represent cash generated from operations as defined by generally accepted accounting principles (“GAAP”) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company’s performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Net Income to Funds from Operations” for the reconciliation of net income to FFO.

ITEM 7. MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We currently operate 74 properties, which we own or have an ownership interest in, consisting of 72 neighborhood and community shopping centers and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. We receive income primarily from the rental revenue from tenants at our properties, including recoveries from tenants, offset by operating and overhead expenses.

Our primary business objective is to acquire and manage commercial retail properties that will provide cash for distributions to shareholders while also creating the potential for capital appreciation to enhance investor returns. We focus on the following fundamentals to achieve this objective:

- Own and operate a portfolio of community and neighborhood shopping centers and mixed-use properties with a retail component located in markets with strong demographics.
- Generate internal growth within the portfolio through aggressive redevelopment, re-anchoring and leasing activities.
- Generate external growth through an opportunistic yet disciplined acquisition program. The emphasis is on targeting transactions with high inherent opportunity for the creation of additional value through redevelopment and leasing and/or transactions requiring creative capital structuring to facilitate the transactions.
- Partner with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets.
- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2006 (“2006”) to the year ended December 31, 2005 (“2005”)

The Brandywine Portfolio operations were consolidated as part of Fund I for the year ended December 31, 2005. Subsequent to the recapitalization and conversion of interests from Fund I to GDC in January 2006, the Brandywine Portfolio is accounted for under the equity method of accounting for the year ended December 31, 2006. In the following tables, we have excluded the Brandywine Portfolio operations for the year ended December 31, 2005 for purposes of comparability with the year ended December 31, 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted	
					\$	%
Revenues Minimum rents	\$ 69.7	\$ 75.4	\$ (14.0)	\$ 61.4	\$ 8.3	13%
Percentage rents	1.2	1.3	(0.6)	0.7	0.5	71%
Expense reimbursements	15.0	14.9	(2.2)	12.7	2.3	18%
Other property income	1.2	2.3	(0.2)	2.1	(0.9)	(43)%
Management fee income	5.6	3.6	0.5	4.1	1.5	37%
Interest income	8.3	3.3	—	3.3	5.0	152%
Other	1.7	—	—	—	1.7	100%
Total revenues	<u>\$ 102.7</u>	<u>\$ 100.8</u>	<u>\$ (16.5)</u>	<u>\$ 84.3</u>	<u>\$ 18.4</u>	<u>22%</u>

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The increase in minimum rents was attributable to additional rents following our acquisition of Chestnut Hill, Clark Diversey, A&P Shopping Plaza, 2914 Third Avenue and Boonton Shopping Center (60% owned) as well as Fund II acquisitions of Sherman Avenue and 161st Street in New York and a leasehold interest in Chicago (“2005/2006 Acquisitions”).

Expense reimbursements for both common area maintenance (“CAM”) and real estate taxes increased in 2006. CAM expense reimbursement increased \$0.4 million as a result of higher tenant reimbursements following the 2005/2006 Acquisitions, offset by a decrease in tenant reimbursements as a result of lower snow removal costs in 2006. Real estate tax reimbursements increased \$1.8 million, primarily as a result of the 2005/2006 Acquisitions, as well as general increases in real estate taxes across the portfolio.

The decrease in other property income was the result of receipt of a bankruptcy claim settlement against a former tenant in 2005.

Management fee income increased primarily as a result of fees earned in connection with the acquisition of the Klaff management contract rights in February 2005 and additional management fees earned from our investments in unconsolidated affiliates.

The increase in interest income was attributable to interest income on our advances and notes receivable originated in 2005 and 2006, as well as higher balances in interest earning assets in 2006.

Other income increased as a result of a \$1.1 million reimbursement of the Company’s share of certain fees incurred by the institutional investors of Fund I for the Brandywine Portfolio, as well as \$0.5 million related to termination of an interest rate swap in 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted	
					\$	%
Operating Expenses Property operating	\$ 15.7	\$ 16.1	\$ (3.4)	\$ 12.7	\$ 3.0	24%
Real estate taxes	10.6	9.4	(0.8)	8.6	2.0	23%
General and administrative	19.8	16.2	—	16.2	3.6	22%
Depreciation and amortization	26.6	25.9	(2.6)	23.3	3.3	14%
Total operating expenses	\$ 72.7	\$ 67.6	\$ (6.8)	\$ 60.8	\$ 11.9	20%

The increase in property operating expenses was primarily the result of the recovery of approximately \$0.5 million related to the settlement of our insurance claim in connection with the flood damage incurred at the Mark Plaza in 2005, increased property operating expenses related to the 2005/2006 Acquisitions and higher bad debt expense in 2006. These increases were offset by lower snow removal costs during 2006.

The increase in real estate taxes was due to general increases in real estate taxes experienced across the portfolio, as well as increased real estate tax expense related to the 2005/2006 Acquisitions.

The increase in general and administrative expense was primarily attributable to increased compensation expense of \$2.7 million, including stock-based compensation of \$0.9 million, and \$0.9 million of other overhead expenses following the expansion of our infrastructure related to increased investment in development-intensive projects in Fund assets and asset management services.

Depreciation expense increased \$1.4 million in 2006. This was principally a result of increased depreciation expense related to the 2005/2006 Acquisitions. Amortization expense increased \$1.9 million, which was primarily the combination of an increase in amortization related to the 2005/2006 Acquisitions, specifically, amortization of tenant installation costs of \$1.0 million, amortization of leasehold interest of \$0.5 million and amortization of loan costs of \$0.2 million. In addition, amortization expense increased \$0.2 million related to the write off of certain Klaff management contracts following the disposition of these assets in 2006.

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(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted	
					\$	%
Other:						
Equity in earnings of unconsolidated affiliates	\$ 2.6	\$ 21.3	\$0.9	\$ 22.2	\$(19.6)	(88)%
Interest expense	(22.5)	(18.8)	3.7	(15.1)	(7.4)	(49)%
Minority interest	5.2	(14.0)	5.1	(8.9)	14.1	158%
Income taxes	0.5	(2.1)	—	(2.1)	2.6	124%
Income from discontinued operations	23.2	1.0	—	1.0	22.2	(2220)%

Equity in earnings of unconsolidated affiliates decreased during 2006 primarily as a result of the gains recognized from the sale of Mervyns assets in 2005.

Interest expense increased \$7.4 million as a result of higher average outstanding borrowings in 2006.

Minority interest variance is attributable to the minority partner's share of gains from the sale of Mervyns assets in 2005.

The variance in income tax expense relates to taxes at the taxable REIT subsidiary ("TRS") level on our share of gains from the sale of Mervyns locations during 2005.

Income from discontinued operations represents activity related to properties sold in 2006 and 2005.

Comparison of the year ended December 31, 2005 ("2005") to the year ended December 31, 2004 ("2004")

(dollars in millions)	2005	2004	Change	
			\$	%
Revenues:				
Minimum rents	\$ 75.4	\$ 68.9	\$ 6.5	9%
Percentage rents	1.3	1.3	—	—
Expense reimbursements	14.9	13.3	1.6	12%
Other property income	2.3	0.8	1.5	188%
Management fee income	3.6	1.3	2.3	177%
Interest income	3.3	1.3	2.0	154%
Other	—	0.2	(0.2)	(100)%
Total revenues	<u>\$ 100.8</u>	<u>\$ 87.1</u>	<u>\$ 13.7</u>	<u>16%</u>

Minimum rents within our Funds I and II ("Funds") increased \$4.6 million primarily a result of minimum rents from properties we acquired through the Funds during 2004 and 2005 ("2004/2005 Fund Acquisitions") as discussed in "LIQUIDITY AND CAPITAL RESOURCES" in Item 7 of this Form 10K. \$1.9 million of the increase in minimum rents was attributable to additional rents following our purchase of Amboy Road shopping center in July 2005, re-tenanting activities as well as increased occupancy across the remaining balance of our portfolio.

Tenant expense reimbursements within our Funds increased \$0.9 million primarily a result of our 2004/2005 Fund Acquisitions. Real estate tax reimbursements within the balance of the portfolio increased \$0.5 million primarily as a result of general increases in real estate taxes as well as re-tenanting activities. CAM expense reimbursements within the balance of our portfolio increased \$0.5 million as a result of increased tenant reimbursements of higher snow removal costs in 2005.

Management fee income increased primarily as a result of management fees earned related to our acquisition of certain management contract rights from Klaff in January 2004 and February 2005.

The increase in interest income was a combination of additional interest income earned on our notes receivable originated in 2004 and 2005 and additional interest income earned following our preferred equity investment in Levitz SL in 2005.

(dollars in millions)	2005	2004	Change	
			\$	%
Operating Expenses:				
Property operating	\$ 16.1	\$ 17.0	\$ (0.9)	(5)%
Real estate taxes	9.4	8.2	1.2	15%
General and administrative	16.1	10.9	5.2	48%
Depreciation and amortization	25.9	22.8	3.1	14%
Total operating expenses	<u>\$ 67.5</u>	<u>\$ 58.9</u>	<u>\$ 8.6</u>	<u>15%</u>

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Property operating expenses within our Funds decreased \$0.6 million primarily as a result of the reduction in the allowance for doubtful accounts as a result of the recovery of amounts due from Penn Traffic following its bankruptcy and the partial recovery of previous years CAM billings previously disputed by tenants. The decrease in property operating expenses within our remaining portfolio was primarily a result of our recovery of \$0.5 million in 2005 related to the settlement of our insurance claim in connection with the flood damage incurred at Mark Plaza. A non-recurring charge of approximately \$0.7 million related to this flood damage was recorded in 2004. This decrease was partially offset by higher snow removal costs in 2005.

Real estate taxes increased \$0.8 million within our Funds primarily as a result of our 2004/2005 Fund Acquisitions. General increases in real estate taxes due to increases in assessments and tax rates were also experienced across our remaining portfolio.

The increase in general and administrative expense was attributable to increased compensation expense and other overhead expenses following the expansion of our infrastructure related to increased investment activity in fund assets and asset management services.

The \$1.9 million increase in depreciation and amortization expense in 2005 within our Funds was primarily attributable to our 2004/2005 Fund Acquisitions. Within the balance of our portfolio, depreciation expense increased \$0.3 million primarily related to capitalized tenant installation costs in 2004 and 2005. Amortization expense increased primarily as a result of the write-off of acquisition costs totaling \$0.5 million allocable to specific Klaff management contracts following the disposition of the related assets.

(dollars in millions)	2005	2004	Change	
			\$	%
Other:				
Equity in earnings of unconsolidated partnerships	\$ 21.3	\$ 0.5	\$ 20.8	4160%
Interest Expense	(18.8)	(16.7)	(2.1)	(13)%
Gain on Sale	—	0.9	(0.9)	(100)%
Minority Interest	(14.0)	(1.4)	(12.6)	(900)%
Income Taxes	(2.1)	—	(2.1)	—
Income from discontinued operations	1.0	8.1	(7.1)	(88)%

Equity in earnings of unconsolidated partnerships increased primarily as a result of our share of gain from the sale of certain Mervyn's locations.

The increase in interest expense was primarily attributable to our Fund Acquisitions and higher average interest rates on the portfolio mortgage debt in 2005.

The gain on sale of land in 2004 was related to a prior year sale of a contract to purchase land to the Target Corporation. We received additional sales proceeds of \$0.9 million which were being held in escrow pending the completion of certain site work by the buyer. Of these proceeds, \$0.5 million were distributed to our joint venture partner in the sale and are a component of minority interest in the accompanying financial statements.

Income taxes in 2005 relate to our share of the income taxes on gain from the sale of certain Mervyn's locations during the third and fourth quarters of 2005.

Income (loss) from discontinued operations represents activity related to properties sold during 2004 and 2005 as well as property held for sale subsequent to 2005.

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

	For the Years Ended December 31,				
	2006	2005	2004	2003	2002
Net income	\$ 39,013	\$ 20,626	\$ 19,585	\$ 7,853	\$ 19,399
Depreciation of real estate and amortization of leasing costs:					
Consolidated affiliates, net of minority interests' share	20,206	16,676	16,026	18,421	15,335
Unconsolidated affiliates	1,806	746	714	643	632
Income attributable to minority interest in operating partnership (1)	803	416	375	747	2,928
Gain on sale of properties	(21,875)	(2,622)	(6,696)	—	(8,132)
Funds from operations	<u>\$ 39,953</u>	<u>\$ 35,842</u>	<u>\$ 30,004</u>	<u>\$ 27,664</u>	<u>\$ 30,162</u>

Notes:

- (1) Represents income attributable to Common Operating Partnership Units and does not include distributions paid to Series A and B Preferred OP Unitholders.

LIQUIDITY AND CAPITAL RESOURCES

USES OF LIQUIDITY

Our principal uses of liquidity are expected to be for distributions to our shareholders and OP unit holders, debt service and loan repayments, and property investment which include the funding of our joint venture commitments, acquisition, redevelopment, expansion and re-tenanting activities.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the first three quarters during 2006, we paid a quarterly dividend of \$0.185 per Common Share and Common OP Unit. In December of 2006, our Board of Trustees approved and declared an 8.1% increase in our quarterly dividend to \$0.20 per Common Share and Common OP Unit for the fourth quarter of 2006, which was paid January 16, 2007.

Acadia Strategic Opportunity Fund, LP (“Fund I”)

In September 2001, the Operating Partnership committed \$20.0 million to a newly formed joint venture with four of our institutional shareholders, who committed \$70.0 million, for the purpose of acquiring a total of approximately \$300.0 million of community and neighborhood shopping centers on a leveraged basis.

On January 4, 2006, we recapitalized a one million square foot retail portfolio located in Wilmington, Delaware (“Brandywine Portfolio”) through a merger of interests with affiliates of GDC Properties (“GDC”). The Brandywine Portfolio was recapitalized through a “cash out” merger of the 77.8% interest, which was previously held by the institutional investors in Fund I (the “Investors”) to affiliates of GDC at a valuation of \$164.0 million. The Operating Partnership, through a subsidiary, retained our existing 22.2% interest and continue to operate the Brandywine Portfolio and earn fees for such services. At the closing, the Investors, excluding the Operating Partnership, received a return of all their capital invested in Fund I and preferred return, thus triggering the Operating Partnership’s Promote distribution in all future Fund I distributions and increasing the Operating Partnership’s interest in cash flow and income from 22.2% to 37.8% as a result of the Promote. In June 2006, the Investors received \$36.0 million of additional proceeds from this transaction following the replacement of bridge financing provided by them with permanent mortgage financing

As of December 31, 2006, we have a total of 32 properties totaling 2.0 million square feet as further discussed in “PROPERTY ACQUISITIONS” in Item 1 of this Form 10-K.

Acadia Strategic Opportunity Fund II, LLC (“Fund II”)

On June 15, 2004, we closed our second acquisition fund, Fund II, which includes all of the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II expects to be able to acquire up to \$900.0 million of real estate assets on a leveraged basis. The Operating Partnership is the managing member with a 20% interest in the joint venture. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8%. As of December 31, 2006, \$122.6 million has been contributed to Fund II, of which the Operating Partnership’s share is \$24.5 million.

Fund II has invested in the RCP Venture and the New York Urban/Infill Redevelopment initiatives and other investments as further discussed in “PROPERTY ACQUISITIONS” in Item 1 of Form 10-K .

New York Urban/ Infill Redevelopment Initiative

In September 2004, we, through Fund II, launched our New York Urban Infill Redevelopment initiative. As retailers continue to recognize that many of the nation’s urban markets are underserved from a retail standpoint, Fund II’s intent is to capitalize on this trend by investing in redevelopment projects in dense urban areas where retail tenant demand has effectively surpassed the supply of available sites. During 2004, Fund II, together with an unaffiliated partner, P/A, formed Acadia-P/A for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A has agreed to invest 10% of required capital up to a maximum of \$2.2 million and Fund II, the managing member, has agreed to invest the balance to acquire assets in which Acadia-P/A agrees to invest. Operating cash flow is generally to be distributed pro-rata to Fund II and P/A until each has received a 10% cumulative return and then 60% to Fund II and 40% to P/A. Distributions of net refinancing and net sales proceeds, as defined, follow the distribution of operating cash flow except that unpaid original capital is returned before the 60%/40% split between Fund II and P/A, respectively. Upon the liquidation of the last property investment of Acadia-P/A, to the extent that Fund II has not received an 18% internal rate of return (“IRR”) on all of its capital contributions, P/A is obligated to return a portion of its previous distributions, as defined, until Fund II has received an 18% IRR. To date, Fund II has, in conjunction with P/A, invested in seven projects through Fund II as follows:

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Property	Location	Year acquired	Purchase price	Redevelopment (dollars in millions)		
				Anticipated additional costs	Estimated completion	Square feet upon completion
Liberty Avenue (1)	Queens	2005	\$ —	\$ 15.0	2007 1st half	125,000
216th Street	Manhattan	2005	7.0	18.0	2007 2nd half	60,000
Pelham Manor Shopping Center (1)	Westchester	2004	—	40.0	2008 2nd half	320,000
161st Street	Bronx	2005	49.0	16.0	2008 1st half	232,000
400 East Fordham Road	Bronx	2004	30.0	85.0	2009	276,000
Canarsie Plaza (2)	Brooklyn	2007	—	60.0	2009 1st half	323,000
4650 Broadway	Manhattan	2005	25.0	30.0	2009 2nd half	175,000
Total			<u>\$ 111.0</u>	<u>\$ 264.0</u>		<u>1,511,000</u>

Notes:

- (1) Fund II acquired a leasehold interest at this property.
- (2) Closing is anticipated in 2007, although such closing cannot be assured.

Other Investments

During 2005 and 2006, we made the following other investments as further discussed in “PROPERTY ACQUISITIONS” in Item 1 of this Form 10-K:

- (i) \$16.8 million in Amboy Road
- (ii) \$4.0 million for Klaff’s management rights
- (iii) \$9.8 million for Clark/Diversey
- (iv) \$3.2 million for Boonton Shopping Center
- (v) \$16.0 million for Chestnut Hill and
- (vi) \$18.5 million for 2914 Third Avenue.

Property Development, Redevelopment and Expansion

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

During 2006, the Company commenced the redevelopment and re-tenanting of the Bloomfield Town Square, located in Bloomfield Hills, Michigan. A former outparcel building, occupied by Chrysler Dodge, was demolished and replaced with a 17,500 square foot building occupied by Drexel Heritage and Panera Bread. The new tenants opened and commenced paying rent during the third and fourth quarters of 2006, and are paying base rent at a 127% increase over that of Chrysler Dodge. In addition, the Company has re-tenanted approximately 26,000 square feet to Circuit City which is anticipated to open and commence paying rent in the fourth quarter of 2007 at a 79% increase over that of the former tenants. Total costs for this project are anticipated to be \$3.3 million.

Additionally, for the year ending December 31, 2007, we currently estimate that capital outlays of approximately \$4.8 million to \$6.5 million will be required for tenant improvements, related renovations and other property improvements.

Share Repurchase

Repurchases of our Common Shares is an additional use of liquidity as discussed in Item 5 of this Form 10-K.

SOURCES OF LIQUIDITY

We intend on using Fund II as the primary vehicle for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Sources of capital for funding property acquisitions, redevelopment, expansion and re-tenanting, as well as future repurchases of Common Shares are expected to be obtained primarily from issuance of public equity or debt instruments, cash on hand, additional debt financings, unrelated member capital contributions and future sales of existing properties. As of December 31, 2006, we had a total of approximately \$162.2 million of additional capacity under existing debt facilities, cash and cash equivalents on hand of \$139.6 million, and eight properties that are unencumbered and available as potential collateral for future borrowings. In addition, on February 26, 2007, we through our RCP Venture, received a cash distribution totaling approximately \$42.5 million from our ownership position in Albertsons. The Operating Partnership’s share of this distribution amounted to approximately \$8.5 million and is subject to income tax considerations. The distribution resulted from

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cash proceeds obtained by Albertsons in connection with its disposition of certain operating stores and a refinancing of the remaining assets held in the entity. We anticipate that cash flow from operating activities will continue to provide adequate capital for all of our debt service payments, recurring capital expenditures and REIT distribution requirements.

Issuance of Convertible Notes

In December 2006, we issued \$100.0 million of 3.75% Convertible Notes. These Notes were issued at par and are due in 2026. In January 2007, an option was exercised to issue an additional \$15.0 million of Convertible Notes. The \$112.1 million in proceeds, net of related costs, were used to retire variable rate debt, fund capital commitments and general company purposes.

Issuance of Equity

During January 2007, we filed a shelf registration on Form S-3 providing offerings for up to a total of \$300.0 million of Common Shares, Preferred Shares and debt securities. To date, we have not issued any securities pursuant to this shelf registration.

During November 2004, we issued 1,890,000 Common Shares (the "Offering"). The Offering was made under shelf registration statements filed under the Securities Act of 1933, as amended, and previously declared effective by the Securities and Exchange Commission. The \$28.3 million in proceeds from the Offering, net of related costs, were used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Following this transaction, we have \$46.7 million of remaining capacity to issue equity under our primary shelf registration statement.

Financing and Debt

At December 31, 2006, mortgage and convertible notes payable aggregated \$445.2 million, net of unamortized premium of \$2.2 million, and were collateralized by 52 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 3.75% to 8.5% with maturities that ranged from July 2007 to November 2032. Taking into consideration \$16.0 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$351.0 million of the portfolio, or 79%, was fixed at a 5.2% weighted average interest rate and \$94.2 million, or 21% was floating at a 6.7% weighted average interest rate. There is \$54.9 million of debt maturing in 2007 at weighted average interest rates of 6.3%. We intend to refinance the indebtedness or select other alternatives based on market conditions at that time.

Reference is made to Note 6 and Note 7 in the Notes to Consolidated Financial Statements that begin on page F-9 of this Form 10-K for a summary of the financing and refinancing transactions since December 31, 2005.

Asset Sales

Asset sales are an additional source of liquidity for us. During the fourth quarter of 2006, we sold the Soundview Marketplace, Bradford Towne Center, Greenridge Plaza, Luzerne Street Shopping Center and Pittston Plaza. During 2005 and 2004, we sold the Berlin Shopping Center and East End Centre. These sales are discussed in "ASSET SALES AND CAPITAL/ASSET RECYCLING" in Item 1 of this Form 10-K.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At December 31, 2006, maturities on our mortgage notes ranged from July 2007 to November 2032. In addition, we have non-cancelable ground leases at seven of our shopping centers. We lease space for its White Plains corporate office for a term expiring in 2010. The following table summarizes our debt maturities and obligations under non-cancelable operating leases of December 31, 2006:

(amounts in millions)	Total	Payments due by period			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Contractual obligation					
Future debt maturities	\$ 445.2	\$ 60.0	\$ 57.1	\$ 154.3	\$ 173.8
Interest obligations on debt	137.6	24.0	37.9	32.8	42.9
Operating lease obligations	120.8	3.6	7.6	8.6	101.0
Total	<u>\$ 703.6</u>	<u>\$ 87.6</u>	<u>\$ 102.6</u>	<u>\$ 195.7</u>	<u>\$ 317.7</u>

OFF BALANCE SHEET ARRANGEMENTS

We have investments in the following joint ventures for the purpose of investing in operating properties. We account for these investments using the equity method of accounting as we have a non-controlling interest. As such, our financial statements reflect our share of income from but not the assets and liabilities of these joint ventures.

- We own a 49% interest in two partnerships which own the Crossroads Shopping Center (“Crossroads”). Our pro rata share of Crossroads mortgage debt as of December 31, 2006 was \$31.4 million. This fixed-rate debt bears interest at 5.4% and matures in December 2014.
- We own a 22.2% investment in various entities which own the Brandywine Portfolio. Our pro-rata share of Brandywine debt as of December 31, 2006, was \$36.9 million with a fixed interest rate of 5.99%. These loans mature on July 1, 2016.
- We have 50% interests in two Fund I investments of which our pro-rata share of mortgage debt (net of the Fund I minority interest share) as of December 31, 2006, was \$2.6 million with a weighted average interest rate of 6.97%. Both of these loans mature during August 2010.

In addition, we have arranged for the provision of five separate letters of credit in connection with certain leases and investments. As of December 31, 2006, there was no balance outstanding under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of exposure would be approximately \$3.1 million.

HISTORICAL CASH FLOW

The following discussion of historical cash flow compares our cash flow for the year ended December 31, 2006 with our cash flow for the year ended December 31, 2005.

Cash and cash equivalents were \$139.6 million and \$90.5 million at December 31, 2006 and 2005, respectively. The increase of \$49.1 million was a result of the following increases and decreases in cash flows:

(amounts in millions)	Years Ended December 31,		Variance
	2006	2005	
Net cash provided by operating activities	\$ 39.6	\$ 50.2	\$ (10.6)
Net cash used in investing activities	(58.9)	(135.5)	76.6
Net cash provided by financing activities	68.4	159.4	(91.0)
Totals	<u>\$ 49.1</u>	<u>\$ 74.1</u>	<u>\$ (25.0)</u>

The variance in net cash provided by operating activities resulted from a decrease of \$22.0 million in operating income before non-cash expenses in 2006, which was primarily due to \$20.9 million of distributions of operating income from unconsolidated affiliates as a result of the distributions from Mervyns in 2005, as well as those factors discussed within Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations. In addition, a net increase of \$11.4 million resulted from changes in operating assets and liabilities, primarily rents receivable, prepaid expenses and other assets.

The decrease in net cash used in investing activities was primarily the result of a \$44.1 million decrease in cash used for real estate acquisitions, development and tenant installations, \$34.5 million of additional proceeds from the sale of properties in 2006, a net decrease of \$28.1 million related to the 2005 Levitz preferred equity investment (Note 4) and the 2006 Levitz note receivable (Note 4) activity and \$5.6 million of additional return of capital from unconsolidated affiliates in 2006. These net decreases were offset by \$26.2 million of additional investments in unconsolidated partnerships, primarily the Albertsons investment in 2006 and \$8.1 million of additional notes issued in 2006.

The decrease in net cash provided by financing activities resulted primarily from \$148.2 million of additional cash used for the net repayment of debt in 2006 and \$36.1 million of additional distributions to partners and members in 2006, primarily relating to the Mervyns investment. These net decreases were partially offset by \$100.0 million of proceeds from the Convertible Debt issuance in 2006.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value 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 the significant judgments and estimates used by us in the preparation of our consolidated financial statements.

Valuation of Property Held for Use and Sale

On a quarterly basis, we review the carrying value of both properties held for use and for sale. We record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where we do not expect to recover our carrying costs on properties held for use, we reduce our carrying cost to fair value. For properties held for sale, we reduce our carrying value to the fair value less costs to sell. For the year ended December 31, 2006, no impairment loss was recognized. For the year ended December 31, 2005, an impairment loss of \$0.8 million was recognized related to a property that was sold in July of 2005. Management does not believe that the value of any properties in its portfolio was impaired as of December 31, 2006 or 2005.

Bad Debts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of December 31, 2006, we had recorded an allowance for doubtful accounts of \$3.3 million. If the financial condition of our tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

INFLATION

Our long-term leases contain provisions designed to mitigate the adverse impact of inflation on our net income. Such provisions include clauses enabling us to receive percentage rents based on tenants' gross sales, which generally increase as prices rise, and/or, in certain cases, escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases in the consumer price index or similar inflation indexes. In addition, many of our leases are for terms of less than ten years, which permits us to seek to increase rents upon re-rental at market rates if current rents are below the then existing market rates. Most of our leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Reference is made to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our primary market risk exposure is to changes in interest rates related to our mortgage debt. See the consolidated financial statements and notes thereto included in this Annual Report on Form 10-K for certain quantitative details related to our mortgage debt.

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of December 31, 2006, we had total mortgage debt of \$445.2 million of which \$351.0 million, or 79%, was fixed-rate, inclusive of interest rate swaps, and \$94.2 million, or 21%, was variable-rate based upon LIBOR plus certain spreads. As of December 31, 2006, we were a party to two interest rate swap transactions to hedge our exposure to changes in interest rates with respect to \$16.0 million of LIBOR-based variable-rate debt. We also have one forward-starting interest rate swap which commences during 2007 and matures in 2012 that will hedge our exposure to changes in interest rates with respect to \$8.4 million of refinanced LIBOR-based variable rate debt with the matching maturities.

The following table sets forth information as of December 31, 2006 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (amounts in millions):

Consolidated mortgage debt:

<u>Year</u>	<u>Scheduled amortization</u>	<u>Maturities</u>	<u>Total</u>	<u>Weighted average interest rate</u>
2007	\$ 5.2	\$ 54.9	\$ 60.1	6.3%
2008	9.1	34.9	44.0	6.7%
2009	10.6	2.5	13.1	7.0%
2010	3.5	14.7	18.2	7.6%
2011	21.3	114.8	136.1	4.2%
Thereafter	24.8	148.9	173.7	5.7%
	<u>\$ 74.5</u>	<u>\$ 370.7</u>	<u>\$ 445.2</u>	

Mortgage debt in unconsolidated partnerships (at our pro rata share):

<u>Year</u>	<u>Scheduled amortization</u>	<u>Maturities</u>	<u>Total</u>	<u>Weighted average interest rate</u>
2007	\$ 0.4	\$ —	\$ 0.4	n/a
2008	0.4	—	0.4	n/a
2009	0.5	—	0.5	n/a
2010	0.5	2.5	3.0	7.0%
2011	0.5	—	0.5	n/a
Thereafter	1.7	64.3	66.0	5.7%
	<u>\$ 4.0</u>	<u>\$ 66.8</u>	<u>\$ 70.8</u>	

Of our total consolidated and our pro-rata share of unconsolidated outstanding debt, \$54.9 million and \$34.9 million will become due in 2007 and 2008, respectively. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately \$0.9 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable debt of \$94.2 million as of December 31, 2006 would increase \$0.9 million if LIBOR increased by 100 basis points. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Based on our outstanding debt balances as of December 31, 2006, the fair value of our total outstanding debt would decrease by approximately \$16.4 million if interest rates increase by 1%. Conversely, if interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$17.7 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements beginning on page F-1 are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE:

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(i) Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2006.

(ii) Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Management of Acadia Realty Trust is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

BDO Seidman, LLP, an independent registered public accounting firm that audited our Financial Statements included in this Annual Report, has issued an attestation report on our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 which appears in this item 9A.

Acadia Realty Trust

White Plains, New York

March 1, 2007

(b) Attestation report of the independent registered public accounting firm

The Shareholders and Trustees of
Acadia Realty Trust

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

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

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

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

In our opinion, management's assessment that Acadia Realty Trust and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Acadia Realty Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acadia Realty Trust and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended December 31, 2006 and 2005 and our report dated March 1, 2007 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP

New York, New York
March 1, 2007

(c) Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None

PART III

ITEM 10. DIRECTORS; EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

The information under Item 5 under the heading “(d) Securities authorized for issuance under equity compensation plans” is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE:

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

This item is incorporated by reference from the definitive proxy statement for the 2007 Annual Meeting of Shareholders presently scheduled to be held May 15, 2007, to be filed pursuant to Regulation 14A.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. *Financial Statements*: See “Index to Financial Statements” at page F-1 below.
2. *Financial Statement Schedule*: See “Schedule III—Real Estate and Accumulated Depreciation” at page F-41 below.
3. *Exhibits*:

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Exhibit No.	Description
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (4)
3.3	Amended and Restated By-Laws of the Company (22)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (14)
10.1	1999 Share Option Plan (8) (20)
10.2	2003 Share Option Plan (16) (20)
10.3	Form of Share Award Agreement (17) (21)
10.4	Form of Registration Rights Agreement and Lock-Up Agreement (18)
10.5	Registration Rights and Lock-Up Agreement (RD Capital Transaction) (11)
10.6	Registration Rights and Lock-Up Agreement (Pacesetter Transaction) (11)
10.7	Contribution and Share Purchase Agreement dated as of April 15, 1998 among Mark Centers Trust, Mark Centers Limited Partnership, the Contributing Owners and Contributing Entities named therein, RD Properties, L.P. VI, RD Properties, L.P. VIA and RD Properties, L.P. VIB (9)
10.8	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, LP and Klaff Realty, Limited (18)
10.9	Employment agreement between the Company and Kenneth F. Bernstein dated October 1998 (6) (21)
10.11	Amendment to employment agreement between the Company and Kenneth F. Bernstein dated January 19, 2007 (26) (21)
10.12	First Amendment to Employment Agreement between the Company and Kenneth Bernstein dated as of January 1, 2001 (12) (21)
10.14	Letter of employment offer between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.15	Severance Agreement between the Company and Joel Braun, Sr. Vice President, dated April 6, 2001 (13) (21)
10.16	Severance Agreement between the Company and Joseph Hogan, Sr. Vice President, dated April 6, 2001 (13) (21)
10.17	Severance Agreement between the Company and Joseph Napolitano, Sr. Vice President dated April 6, 2001 (18) (21)
10.18	Severance Agreement between the Company and Robert Masters, Sr. Vice President and General Counsel dated January 2001 (18) (21)
10.19	Severance Agreement between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.20	Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000 (7)
10.21	Promissory Note between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.22	Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.23	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999 (7)
10.24	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 21, 1999 (7)
10.25	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999 (7)
10.26	First Amendment to Severance Agreements between the Company and Joel Braun Executive Vice President and Chief Investment Officer, Michael Nelsen, Senior Vice President and Chief Financial Officer, Robert Masters, Senior Vice President, General Counsel, Chief Compliance Officer and Secretary and Joseph Hogan, Senior Vice President and Director of Construction dated January 19, 2007 (21) (26)
10.33	Term Loan Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.34	Mortgage Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.35	Promissory Note between RD Whitegate Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)

- 10.36 Promissory Note between RD Columbia Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
 - 10.44 Prospectus Supplement Regarding Options Issued under the Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan (19) (21)
 - 10.45 Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form (19) (21)
 - 10.46 Amended, Restated And Consolidated Promissory Note between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
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Exhibit No.	Description
10.47	Amended, Restated And Consolidated Mortgage, Assignment Of Leases And Rents And Security Agreement between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
10.51	Mortgage, Assignment of Leases and Rents and Security Agreement between Acadia Crescent Plaza, LLC and Greenwich Capital Financial Products, Inc. dated August 31, 2005 (22)
10.52	Mortgage, Assignment of Leases and Rents and Security Agreement between Pacesetter/Ramapo Associates and Greenwich Capital Financial Products, Inc. dated October 17, 2005 (22)
10.53	Loan Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
10.54	Mortgage and Security Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
10.55	Agreement and Plan Of Merger Dated as of December 22, 2005 by and among Acadia Realty Acquisition I, LLC, Ara Btc LLC, ARA MS LLC, ARA BS LLC, ARA BC LLC and ARA BH LLC, Acadia Investors, Inc., AII BTC LLC, AII MS LLC, AII BS LLC, AII BC LLC And AII BH LLC, Samuel Ginsburg 2000 Trust Agreement #1, Martin Ginsburg 2000 Trust Agreement #1, Martin Ginsburg, Samuel Ginsburg and Adam Ginsburg, and GDC SMG, LLC, GDC Beechwood, LLC, Aspen Cove Apartments, LLC and SMG Celebration, LLC (23)
10.56	Amended and Restated Loan Agreement between Acadia Realty Limited Partnership, as lender, and Levitz SL Woodbridge, L.L.C., Levitz SL St. Paul, L.L.C., Levitz SL La Puente, L.L.C., Levitz SL Oxnard, L.L.C., Levitz SL Willowbrook, L.L.C., Levitz SL Northridge, L.L.C., Levitz SL San Leandro, L.L.C., Levitz SL Sacramento, L.L.C., HL Brea, L.L.C., HL Deptford, L.L.C., HL Hayward, L.L.C., HL San Jose, L.L.C., HL Scottsdale, L.L.C., HL Torrance, L.L.C., HL Irvine 1, L.L.C., HL West Covina, L.L.C., HL Glendale, L.L.C. and HL Northridge, L.L.C., each a Delaware limited liability company, Levitz SL Langhorne, L.P. and HL Fairless Hills, L.P., each a Delaware limited partnership (each, together with its permitted successors and assigns, a "Borrower" , and collectively, together with their respective permitted successors and assigns, " Borrowers "), dated June 1, 2006 (24)
10.57	Consent and Assumption Agreement between Thor Chestnut Hill, LP, Thor Chestnut Hill II, LP, Acadia Chestnut, LLC, Acadia Realty Limited Partnership and Wells Fargo Bank, N.A. dated June 9, 2006, original Mortgage and Security Agreement between Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP and Column Financial, Inc. dated June 5, 2003 and original Assignment of Leases and Rents from Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP to Column Financial, Inc. dated June 2003. (24)
10.58	Loan Agreement and Promissory Note between RD Woonsocket Associates, L.P. and Merrill Lynch Mortgage Lending, Inc. dated September 8, 2006 (25)
10.59	Amended and Restated Revolving Loan Agreement dated as of December 19, 2006 by and among RD Abington Associates LP, Acadia Town Line, LLC, RD Methuen Associates LP, RD Absecon Associates, LP, RD Bloomfield Associates, LP, RD Hobson Associates, LP, and RD Village Associates LP, and Bank of America, N.A. and the First Amendment to Amended and Restated Revolving Loan Agreement dated February, 2007. (26)
10.60	Loan Agreement between Bank of America, N.A. and RD Branch Associates, LP dated December 19, 2006. (26)
21	List of Subsidiaries of Acadia Realty Trust (27)
23.1	Consent of Registered Public Accounting Firm to Form S-3 and Form S-8 (27)
23.2	Consent of former Registered Public Accounting Firm to Form S-3 and Form S-8 (27)
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (2)

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Notes:

- (1) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal Year ended December 31, 1994
 - (2) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 1997
 - (3) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998
 - (4) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998
 - (5) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-11 (File No.33-60008)
 - (6) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1998
 - (7) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1999
 - (8) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-8 filed September 28, 1999
 - (9) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Form 8-K filed on April 20, 1998
 - (10) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 2000
 - (11) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-3 filed on March 3, 2000
 - (12) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2001
 - (13) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001
 - (14) Incorporated by reference to the copy thereof filed as an Exhibit to Yale University's Schedule 13D filed on September 25, 2002
 - (15) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2002
 - (16) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Definitive Proxy Statement on Schedule 14A filed April 29, 2003.
 - (17) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Current Report on Form 8-K filed on July 2, 2003
 - (18) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2003
 - (19) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2004.
 - (20) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2004.
 - (21) Management contract or compensatory plan or arrangement.
 - (22) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2005.
 - (23) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Current Report on Form 8-K filed on January 4, 2006
 - (24) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 2006
 - (25) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2006
 - (26) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Current Report on Form 8-K filed on January 19, 2007
 - (27) Filed herewith.
-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

**ACADIA REALTY TRUST
(Registrant)**

By: /s/ Kenneth F. Bernstein
Kenneth F. Bernstein
Chief Executive Officer,
President and Trustee

By: /s/ Michael Nelsen
Michael Nelsen
Sr. Vice President and
Chief Financial Officer

By: /s/ Jonathan W. Grisham
Jonathan W. Grisham
Vice President and
Chief Accounting Officer

Dated: March 1, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Kenneth F. Bernstein (Kenneth F. Bernstein)	Chief Executive Officer, President and Trustee (Principal Executive Officer)	March 1, 2007
/s/ Michael Nelsen (Michael Nelsen)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2007
/s/ Jonathan W. Grisham (Jonathan W. Grisham)	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2007
/s/ Douglas Crocker II Douglas Crocker II	Trustee	March 1, 2007
/s/ Alan S. Forman (Alan S. Forman)	Trustee	March 1, 2007
/s/ Suzanne Hopgood (Suzanne Hopgood)	Trustee	March 1, 2007
/s/ Lorrence T. Kellar Lorrence T. Kellar	Trustee	March 1, 2007
/s/ Wendy Luscombe (Wendy Luscombe)	Trustee	March 1, 2007
/s/ Lee S. Wielansky (Lee S. Wielansky)	Trustee	March 1, 2007

EXHIBIT INDEX

The following is an index to all exhibits filed with the Annual Report on Form 10-K other than those incorporated by reference herein:

<u>Exhibit No.</u>	<u>Description</u>
10.59	Amended and Restated Revolving Loan Agreement dated as of December 19, 2006 by and among RD Abington Associates LP, Acadia Town Line, LLC, RD Methuen Associates LP, RD Absecon Associates, LP, RD Bloomfield Associates, LP, RD Hobson Associates, LP, and RD Village Associates LP, and Bank of America, N.A. and the First Amendment to Amended and Restated Revolving Loan Agreement dated February, 2007.
10.60	Loan Agreement between Bank of America, N.A. and RD Branch Associates, LP dated December 19, 2006.
21	List of Subsidiaries of Acadia Realty Trust
23.1	Consent of Registered Public Accounting Firm to Form S-3 and Form S-8
23.2	Consent of former Registered Public Accounting Firm to Form S-3 and Form S-8
31.1	Certification of Chief Executive Officer pursuant to rule 13a – 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to rule 13a – 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**ACADIA REALTY TRUST AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS**

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Report of Independent Registered Public Accounting Firm

The Shareholders and Trustees of
Acadia Realty Trust

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust and subsidiaries (the “Company”) as of December 31, 2006 and 2005 and the related consolidated statements of income, stockholders’ equity, and cash flows for the years then ended. Our audits also included the financial statement schedule listed on page F-1. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Realty Trust and subsidiaries at December 31, 2006 and 2005 and the consolidated results of their operations and their cash flows for years then ended, in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Acadia Realty Trust and subsidiaries’ internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion thereon.

As explained in Note 1 to the financial statements, effective January 1, 2006, Acadia Realty Trust and subsidiaries adopted the provisions of Staff Accounting Bulletin 108, Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements.

/s/ BDO Seidman, LLP

New York, New York
March 1, 2007

Report of Independent Registered Public Accounting Firm

The Shareholders and Trustees of
Acadia Realty Trust

We have audited the accompanying consolidated statements of income, shareholders' equity, and cash flows of Acadia Realty Trust and subsidiaries (the "Company") for the year ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of Acadia Realty Trust and subsidiaries' operations and their cash flows for the year ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
November 30, 2006

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2006	2005
	(dollars in thousands)	
ASSETS		
Real estate:		
Land	\$ 152,930	\$ 141,319
Buildings and improvements	497,638	564,779
Construction in progress	26,670	3,808
	677,238	709,906
Less: accumulated depreciation	142,071	127,819
Net real estate	535,167	582,087
Cash and cash equivalents	139,571	90,475
Restricted cash	549	548
Cash in escrow	7,639	7,789
Investment in management contracts, net of accumulated amortization of \$3,277 and \$1,938, respectively	1,839	3,178
Investments in and advances to unconsolidated affiliates	31,049	17,863
Rents receivable, net	12,949	13,000
Notes receivable and preferred equity investment	38,322	34,733
Prepaid expenses	1,865	4,980
Deferred charges, net	33,255	23,739
Acquired lease intangibles	11,653	8,119
Other assets	37,834	15,354
Assets of discontinued operations	—	39,726
	\$ 851,692	\$ 841,591
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage and other notes payable	\$ 347,402	\$ 411,000
Convertible notes payable	100,000	—
Acquired leases and other intangibles	4,919	6,812
Accounts payable and accrued expenses	10,548	18,302
Dividends and distributions payable	6,661	6,088
Share of distributions in excess of share of income and investment in unconsolidated affiliates	21,728	10,315
Other liabilities	5,578	7,144
Liabilities of discontinued operations	—	15,064
Total liabilities	496,836	474,725
Minority interest in Operating Partnership	8,673	9,204
Minority interests in partially-owned affiliates	105,064	137,086
Total minority interests	113,737	146,290
Shareholders' equity:		
Common shares, \$.001 par value, authorized 100,000,000 shares, issued and outstanding 31,772,952 and 31,542,942 shares, respectively	31	31
Additional paid-in capital	227,555	223,199
Accumulated other comprehensive loss	(234)	(12)
Retained earnings (deficit)	13,767	(2,642)
Total shareholders' equity	241,119	220,576
	\$ 851,692	\$ 841,591

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
	2006	2005	2004
	(dollars in thousands except per share amounts)		
Revenues			
Minimum rents	\$ 69,663	\$ 75,441	\$ 68,899
Percentage rents	1,192	1,272	1,348
Expense reimbursements	15,048	14,944	13,336
Other property income	1,206	2,269	785
Management fee income from related parties, net	5,625	3,564	1,259
Interest income	8,311	3,316	1,245
Other income	1,648	—	210
Total revenues	<u>102,693</u>	<u>100,806</u>	<u>87,082</u>
Operating Expenses Property operating	15,672	16,087	17,007
Real estate taxes	10,647	9,402	8,187
General and administrative	19,782	16,153	10,941
Depreciation and amortization	26,637	25,905	22,781
Total operating expenses	<u>72,738</u>	<u>67,547</u>	<u>58,916</u>
Operating income	29,955	33,259	28,166
Equity in earnings of unconsolidated affiliates	2,559	21,280	513
Interest expense	(22,451)	(18,804)	(16,687)
Gain on sale of land	—	—	932
Minority interest	5,223	(13,952)	(1,466)
Income from continuing operations before income taxes	15,286	21,783	11,458
Income tax benefit (expense)	508	(2,140)	—
Income from continuing operations	<u>15,794</u>	<u>19,643</u>	<u>11,458</u>
Discontinued operations:			
Operating income from discontinued operations	2,703	1,823	1,596
Impairment of real estate	—	(770)	—
Gain (loss) on sale of properties	20,974	(50)	6,696
Minority interest	(458)	(20)	(165)
Income from discontinued operations	<u>23,219</u>	<u>983</u>	<u>8,127</u>
Net income	<u>\$ 39,013</u>	<u>\$ 20,626</u>	<u>\$ 19,585</u>
Basic earnings per share Income from continuing operations	\$ 0.49	\$ 0.62	\$ 0.39
Income from discontinued operations	0.71	0.03	0.28
Basic earnings per share	<u>\$ 1.20</u>	<u>\$ 0.65</u>	<u>\$ 0.67</u>
Diluted earnings per share Income from continuing operations	\$ 0.48	\$ 0.61	\$ 0.38
Income from discontinued operations	0.70	0.03	0.27
Diluted earnings per share	<u>\$ 1.18</u>	<u>\$ 0.64</u>	<u>\$ 0.65</u>

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Paid-in	Other	Earnings	Shareholders'
			Capital	Comprehensive	(Deficit)	Equity
				Loss		
Balance at December 31, 2003	27,409	\$ 27	\$ 177,891	\$ (5,505)	\$ (2,679)	\$ 169,734
Conversion of 746,762 OP Units to Common Shares by limited partners of the Operating Partnership	747	1	6,395	—	—	6,396
Shares issued to trustees and employees	5	—	443	—	—	443
Employee restricted share award	22	—	394	—	—	394
Settlement of vested options	—	—	(67)	—	—	(67)
Dividends declared (\$0.6525 per Common Share)	—	—	—	—	(19,548)	(19,548)
Employee and trustee exercise of 1,262,000 options	1,262	1	9,265	—	—	9,266
Common Shares issued under Employee Stock Purchase Plan	6	—	84	—	—	84
Issuance of 1,890,000 Common Shares, net of issuance costs	1,890	2	28,310	—	—	28,312
Unrealized gain on valuation of swap agreements	—	—	—	2,325	—	2,325
Net income	—	—	—	—	19,585	19,585
Total comprehensive income						21,910
Balance at December 31, 2004	31,341	31	222,715	(3,180)	(2,642)	216,924
Conversion of 796 Series A Preferred OP Units to Common Shares by limited partners of the Operating Partnership	92	—	696	—	—	696
Employee restricted share awards	52	—	1,030	—	—	1,030
Dividends declared (\$0.69 per Common Share)	—	—	(1,691)	—	(20,626)	(22,317)
Employee and trustee exercise of 51,200 options	51	—	345	—	—	345
Common Shares issued under Employee Stock Purchase Plan	7	—	104	—	—	104
Unrealized gain on valuation of swap agreements	—	—	—	3,168	—	3,168
Net income	—	—	—	—	20,626	20,626
Total comprehensive income						23,794
Balance at December 31, 2005	31,543	31	223,199	(12)	(2,642)	220,576
Cumulative effect of straight-line rent adjustment	—	—	—	—	1,796	1,796
Conversion of 696 Series A Preferred OP Units to Common Shares by limited partners of the Operating Partnership	93	—	696	—	—	696
Employee restricted share awards	122	—	3,530	—	—	3,530
Dividends declared (\$0.755 per Common Share)	—	—	—	—	(24,400)	(24,400)
Employee exercise of 7,500 options	8	—	43	—	—	43
Common Shares issued under Employee Stock Purchase Plan	4	—	112	—	—	112
Redemption of 11,105 restricted Common OP Units	—	—	(101)	—	—	(101)
Issuance of Common Stock to Trustees	3	—	76	—	—	76
Unrealized loss on valuation of swap agreements	—	—	—	(222)	—	(222)
Net income	—	—	—	—	39,013	39,013
Total comprehensive income						38,791
Balance at December 31, 2006	31,773	\$ 31	\$ 227,555	\$ (234)	\$ 13,767	\$ 241,119

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

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>2006</u>	Years ended December 31, <u>2005</u> (dollars in thousands)	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 39,013	\$ 20,626	\$ 19,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	27,178	27,747	25,030
Gain on sale of land	—	—	(932)
(Gain) loss on sale of property	(20,974)	50	(6,696)
Impairment of real estate	—	770	—
Minority interests	(4,765)	13,972	1,631
Amortization of lease intangibles	1,080	980	(519)
Amortization of mortgage note premium	(144)	(530)	(524)
Equity in earnings of unconsolidated affiliates	(2,559)	(21,280)	(513)
Elimination of fees received from unconsolidated partnerships	467	—	—
Distributions recognized as income from unconsolidated affiliates	2,810	21,498	720
Amortization of derivative settlement included in interest expense	440	460	125
Provision for bad debts	41	305	1,254
Changes in assets and liabilities:			
Restricted cash	(1)	701	(709)
Funding of escrows, net	(1,389)	(1,827)	(2,063)
Rents receivable	219	(3,309)	(1,998)
Prepaid expenses	2,769	(783)	(442)
Other assets	(1,801)	(8,785)	(3,204)
Accounts payable and accrued expenses	(1,669)	(2,826)	3,546
Due to/from related parties	—	—	(344)
Other liabilities	(1,088)	2,470	(62)
Net cash provided by operating activities	<u>39,627</u>	<u>50,239</u>	<u>33,885</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for real estate and improvements	(87,009)	(131,077)	(48,611)
Deferred acquisition and leasing costs	(6,941)	(5,670)	(3,014)
Investments in and advances to unconsolidated affiliates	(26,697)	(455)	(30,803)
Return of capital from unconsolidated affiliates	28,423	22,847	15,136
Collections of notes receivable	20,948	1,868	3,929
Advances of notes receivable	(45,091)	(7,914)	(10,429)
Preferred equity investment	19,000	(19,000)	—
Proceeds from sale of property and land	<u>38,477</u>	<u>3,931</u>	<u>932</u>
Net cash used in investing activities	<u>(58,890)</u>	<u>(135,470)</u>	<u>(72,860)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>2006</u>	Years ended December 31, <u>2005</u> (dollars in thousands)	<u>2004</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on mortgage notes payable	(168,082)	(44,784)	(106,639)
Proceeds received on mortgage notes payable	159,617	184,466	94,251
Proceeds from issuance of convertible debt	100,000	—	—
Payment of deferred financing and other costs	(7,026)	(2,801)	(2,338)
Capital contributions from partners and members	44,481	44,122	40,302
Distributions to partners and members	(36,120)	—	(3,238)
Dividends paid	(23,823)	(21,869)	(18,507)
Distributions to minority interests in Operating Partnership	(487)	(380)	(416)
Distributions on preferred Operating Partnership Units	(254)	(342)	(283)
Distributions to minority interests in partially-owned affiliates	(232)	(436)	(1,031)
Contributions from minority interests in partially-owned affiliates	300	1,000	1,587
Redemption of Operating Partnership Units	(246)	—	—
Common Shares issued under Employee Stock Purchase Plan	188	104	84
Settlement of options to purchase Common Shares	—	—	(67)
Exercise of options to purchase Common Shares	43	345	9,340
Termination of derivative instrument	—	—	(1,307)
Issuance of Common Shares	—	—	28,312
Net cash provided by financing activities	<u>68,359</u>	<u>159,425</u>	<u>40,050</u>
Increase in cash and cash equivalents	49,096	74,194	1,075
Cash and cash equivalents, beginning of period	90,475	16,281	15,206
Cash and cash equivalents, end of period	<u>\$ 139,571</u>	<u>\$ 90,475</u>	<u>\$ 16,281</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest, including capitalized interest of \$79, \$260, and \$304, respectively	<u>\$ 22,843</u>	<u>\$ 18,799</u>	<u>\$ 19,167</u>
Cash paid for income taxes	<u>\$ 1,039</u>	<u>\$ 1,512</u>	<u>\$ —</u>
Supplemental disclosure of non-cash investing and financing activities:			
Acquisition of management contract rights through issuance of Common and Preferred Operating Partnership Units	<u>\$ —</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>
Accrued earn-out liability on acquired real estate	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,241</u>
Acquisition of real estate through assumption of debt	<u>\$ 22,583</u>	<u>\$ —</u>	<u>\$ —</u>
Acquisition of property through issuance of Preferred Operating Partnership Units	<u>\$ —</u>	<u>\$ 200</u>	<u>\$ —</u>
Conversion of common equity interest into preferred equity interest in in the Hitchcock and Pine Log investments	<u>\$ —</u>	<u>\$ 3,255</u>	<u>\$ —</u>
Deconsolidation of the Brandywine Portfolio:			
Real estate, net	\$ 124,962	\$ —	\$ —
Other assets and liabilities	(11,413)	—	—
Mortgage debt	(66,984)	—	—
Minority interests	(36,504)	—	—
Investment in unconsolidated affiliates	(10,428)	—	—
Cash included in investments and advances to unconsolidated affiliates	<u>\$ (367)</u>	<u>\$ —</u>	<u>\$ —</u>
Acquisition of remaining interest in Tarrytown			
Real estate, net	\$ (9,260)	\$ —	\$ —
Other assets and liabilities	5,901	—	—
Investment in unconsolidated affiliates	3,469	—	—
Cash included in expenditures for real estate and improvements	<u>\$ 110</u>	<u>\$ —</u>	<u>\$ —</u>

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

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Acadia Realty Trust (the “Trust”) and subsidiaries (collectively, the “Company”) is a fully integrated, self-managed and self-administered equity real estate investment trust (“REIT”) focused primarily on the ownership, acquisition, redevelopment and management of retail properties, including neighborhood and community shopping centers and mixed-use properties with retail components.

As of December 31, 2006, the Company operated 74 properties, which it owns or has an ownership interest in, principally located in the Northeast, Mid-Atlantic and Midwest regions of the United States.

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and entities in which the Operating Partnership owns a controlling interest. As of December 31, 2006, the Trust controlled 98% of the Operating Partnership as the sole general partner. As the general partner, the Trust is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners represent entities or individuals who contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common or Preferred OP Units”). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Trust (“Common Shares”). This structure is commonly referred to as an umbrella partnership REIT or “UPREIT”.

In 2001, the Company formed a partnership, Acadia Strategic Opportunity Fund I, LP (“Fund I”), and in 2004 formed a limited liability company, Acadia Mervyn I, LLC (“Mervyns I”), with four institutional investors. The Operating Partnership committed a total of \$20.0 million to Fund I and Mervyns I, and the four institutional shareholders committed \$70.0 million, for the purpose of acquiring a total of approximately \$300.0 million in investments. As of December 31, 2006, the Operating Partnership has contributed \$16.2 million to Fund I and \$2.7 million to Mervyns I.

The Operating Partnership is the sole general partner of Fund I and managing member of Mervyns I, with a 22.2% interest in both Fund I and Mervyns I and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. Decisions made by the general partner, as it relates to purchasing, financing, and disposition of properties, are subject to the unanimous disapproval of the Advisory Committee of Fund I, which is comprised of representatives from each of the four institutional investors. Cash flow is distributed pro-rata to the partners (including the Operating Partnership) until they receive a 9% cumulative return, and the return of all capital contributions. Thereafter, remaining cash flow (which is net of distributions and fees to the Operating Partnership for management, asset management, leasing and construction services) was to be distributed 80% to the partners (including the Operating Partnership) and 20% to the Operating Partnership as a carried interest (“Promote”). Following the recapitalization of the Brandywine Portfolio in January 2006, all capital contributions and the required 9% cumulative preferred return were distributed to the institutional investors. Accordingly, the Operating Partnership is now entitled to a Promote on all future earnings and distributions.

In June 2004, the Company formed a limited liability company, Acadia Strategic Opportunity Fund II, LLC (“Fund II”), and in August 2004 formed another limited liability company, Mervyn II, LLC (“Mervyns II”), with the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II and Mervyns II expect to be able to acquire up to \$900.0 million of investments on a leveraged basis. The Operating Partnership’s share of committed capital is \$60.0 million. The Operating Partnership is the sole managing member with a 20% interest in both Fund II and Mervyns II and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. The terms and structure of Fund II are substantially the same as Fund I with the exception that the preferred return is 8%. As of December 31, 2006, the Operating Partnership has contributed \$17.1 million to Fund II and \$7.4 million to Mervyns II.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its controlling investments in partnerships and limited liability companies in which the Company is presumed to have control in accordance with Emerging Issues Task Force Issue No. 04-5. The ownership interests of other investors in these entities are recorded as minority interests. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company’s share of the earnings (or loss) of these entities are included in consolidated net income.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies, continued

Principles of Consolidation, continued

Variable interest entities within the scope of Financial Accounting Standards Board (“FASB”) Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46-R”) are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that absorbs a majority of the entity’s expected losses, receives a majority of its expected returns, or both. Management has evaluated the applicability of FIN 46-R to its investments in certain joint ventures and determined that these joint ventures do not meet the requirements of a variable interest entity and, therefore, consolidation of these ventures is not required. Accordingly, these investments are accounted for using the equity method.

On January 4, 2006, Fund I recapitalized its investment in a one million square foot shopping center portfolio located in Wilmington, Delaware (“Brandywine Portfolio”). The recapitalization was effected through the conversion of the 77.8% interest which was previously held by the institutional investors in Fund I to affiliates of GDC Properties (“GDC”) through a merger of interests in exchange for cash. The Operating Partnership has retained its existing 22.2% interest in the Brandywine Portfolio in partnership with GDC and continues to operate the portfolio and earn fees for such services. Following the January 2006 recapitalization of the Brandywine Portfolio, the Company no longer has a controlling interest in this investment and, accordingly, currently accounts for this investment under the equity method of accounting.

Investments in and Advances to Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures using the equity method as it does not exercise control over significant asset decisions such as buying, selling or financing nor is it the primary beneficiary under FIN 46R, as discussed above. Under the equity method, the Company increases its investment for its proportionate share of net income and contributions to the joint venture and decreases its investment balance by recording its proportionate share of net loss and distributions. The Company recognizes income for distributions in excess of its investment where there is no recourse to the Company. For investments in which there is recourse to the Company, distributions in excess the investment are recorded as a liability.

The Company periodically reviews its investment in unconsolidated joint ventures for other temporary declines in market value. Any decline that is not expected to be recovered in the next twelve months is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. No impairment charges were recognized in the years ended December 31, 2006, 2005 and 2004.

Use of Estimates

Accounting principles generally accepted in the United States of America (“GAAP”) require the Company’s management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Real Estate

Real estate assets are stated at cost less accumulated depreciation. Expenditures for acquisition, development, construction and improvement of properties, as well as significant renovations are capitalized. Interest costs are capitalized until construction is substantially complete. Construction in progress includes costs for significant shopping center expansion and redevelopment. Depreciation is computed on the straight-line basis over estimated useful lives of 30 to 40 years for buildings and the shorter of the useful life or lease term for improvements, furniture, fixtures and equipment. Expenditures for maintenance and repairs are charged to operations as incurred.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations” and SFAS No. 142, “Goodwill and Other Intangible Assets”, and allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

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The Company reviews its long-lived assets used in operations for impairment when there is an event, or change in circumstances that indicates impairment in value. The Company records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying cost to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell. During the year ended December 31, 2005, an impairment loss of \$0.8 million was recognized related to a property that was sold in July of 2005. Management does not believe that the values of its properties within the portfolio are impaired as of December 31, 2006.

Sale of Real Estate Assets

The Company recognizes property sales in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." The Company generally records the sales of operating properties and outparcels using the full accrual method at closing when the warnings process is deemed to be complete. Sales not qualifying for full recognition at the time of sale are accounted for under other appropriate deferral methods.

Investment in Real Estate –Held-for Sale

The Company evaluates the held-for-sale classification of its real estate each quarter. Assets that are classified as held-for-sale are recorded at the lower of their carrying amount or fair value less cost to sell. Assets are generally classified as held-for-sale once management commits to a plan to sell the properties and has initiated an active program to market them for sale. The results of operations of these real estate properties are reflected as discontinued operations in all periods reported.

On occasion, the Company will receive unsolicited offers from third parties to buy individual Company properties. Under these circumstances, the Company will classify the properties as held-for-sale when a sales contract is executed with no contingencies and the prospective buyer has funds at risk to ensure performance.

Deferred Costs

Fees and costs paid in the successful negotiation of leases have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred in connection with obtaining financing have been deferred and are being amortized over the term of the related debt obligation.

Management Contracts

Income from management contracts, net of sub-management fees of \$0.3 million and \$1.6 million for the years ended December 31, 2005 and 2004 respectively, is recognized on an accrual basis as such fees are earned. The initial acquisition cost of the management contracts is being amortized over the estimated lives of the contracts acquired.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies, continued

Revenue Recognition and Accounts Receivable

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases. As of December 31, 2006 and 2005 unbilled rents receivable relating to straight-lining of rents were \$6.2 million and \$8.8 million, respectively and deferred rents related to the straight lining of rents were \$2.9 million and \$2.5 million, respectively. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rents are recognized in the period when the tenants' sales breakpoint is met. In addition, leases typically provide for the reimbursement to the Company of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the expenses are incurred.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Once the amount is ultimately deemed to be uncollectible, it is written off. Rents receivable at December 31, 2006 and 2005 are shown net of an allowance for doubtful accounts of \$3.3 million and \$3.2 million, respectively. Interest income from notes receivable is recognized on an accrual basis based on the contractual terms of the notes.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Cash in Escrow

Restricted cash and cash in escrow consists principally of cash held for real estate taxes, property maintenance, insurance, minimum occupancy and property operating income requirements at specific properties as required by certain loan agreements.

Income Taxes

The Company has made an election to be taxed, and believes it qualifies as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). To maintain REIT status for Federal income tax purposes, the Company is generally required to distribute to its stockholders at least 90% of its REIT taxable income as well as comply with certain other requirements as defined by the Code. Accordingly, the Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

Although it may qualify for REIT status for Federal income tax purposes, the Company is subject to state income or franchise taxes in certain states in which some of its properties are located. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") are subject to Federal, state and local income taxes.

TRS income taxes are accounted for under the asset and liability method as required SFAS No. 109, "Accounting for Income Taxes". Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of the TRS assets and liabilities.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies, continued**Stock-based Compensation**

Prior to 2002, the Company accounted for stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Effective January 1, 2002, the Company adopted the fair value method of recording stock-based compensation contained in SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 123R effective June 30, 2005. As such, all stock options granted after December 31, 2001 are reflected as compensation expense in the Company's consolidated financial statements over their vesting period based on the fair value at the date the stock-based compensation was granted. As provided for in SFAS No. 123, the Company elected the "prospective method" for the adoption of the fair value basis method of accounting for employee stock options. Under this method, the recognition provisions have been applied to all employee awards granted, modified or settled after January 1, 2002. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value based method of accounting for stock-based employee compensation for vested stock options granted prior to January 1, 2002.

(dollars in thousands)	Year ended December 31, 2004
Net income:	
As reported	\$ 19,585
Pro forma	<u>\$ 19,561</u>
Basic earnings per share:	
As reported	\$ 0.67
Pro forma	<u>\$ 0.67</u>
Diluted earnings per share:	
As reported	\$ 0.65
Pro forma	<u>\$ 0.65</u>

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and No. 140". This Statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of SFAS No. 133 to Beneficial Interests in Securitized Financial Assets." This Statement (a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, (c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and (e) amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is currently evaluating the effect of the adoption of SFAS No. 155.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109." ("Interpretation No. 48"), Interpretation No. 48 defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interpretation No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. The adoption of Interpretation No. 48 on its effective date will not have an effect on the Company's consolidated financial statements.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies, continued

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." This Bulletin provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The guidance in this Bulletin must be applied to financial reports covering the first fiscal year ending after November 15, 2006. As a result of the adoption of SAB No. 108, the Company recorded a \$1.8 million cumulative effect of straight-line rent adjustment for prior years effective January 1, 2006. This adjustment was the result of changing the calculation of tenants straight-line rent from rent commencement date to the date the tenant took possession of the space. This adjustment is reflected in the Company's balance sheet as an increase to both rents receivable, net and retained earnings.

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

On February 15, 2007, the FASB issued SFAS Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits companies and not-for-profit organizations to make a one-time election to carry eligible types of financial assets and liabilities at fair value, even if fair value measurement is not required under GAAP. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the effect of the adoption of SFAS No. 159.

Comprehensive income

The following table sets forth comprehensive income for the years ended December 31, 2006, 2005 and 2004:

(dollars in thousands)	Years ended December 31,		
	2006	2005	2004
Net income	\$ 39,013	\$ 20,626	\$ 19,585
Other comprehensive income (loss)	(222)	3,168	2,325
Comprehensive income	<u>\$ 38,791</u>	<u>\$ 23,794</u>	<u>\$ 21,910</u>

Notes:

Other Comprehensive income relates to the changes in the fair value of derivative instruments accounted for as cash flow hedges.

The following table sets forth the change in accumulated other comprehensive loss for the years ended December 31, 2006, 2005 and 2004:

Accumulated other comprehensive income (loss)

(dollars in thousands)	Years ended December 31,		
	2006	2005	2004
Beginning balance	\$ (12)	\$ (3,180)	\$ (5,505)
Unrealized gain (loss) on valuation of derivative instruments	(222)	3,168	2,325
Ending balance	<u>\$ (234)</u>	<u>\$ (12)</u>	<u>\$ (3,180)</u>

**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. Acquisition and Disposition of Properties and Discontinued Operations

A. Acquisition and Disposition of Properties

Currently the primary vehicles for the Company's acquisitions are Funds I and II (Note 1).

Dispositions relate to the sale of shopping centers and land. Gains from these sales are recognized in accordance with the provisions of SFAS No. 66, "Accounting for Sales of Real Estate".

Acquisitions

On January 12, 2006, the Company closed on a 19,265 square foot retail building in the Lincoln Park district in Chicago. The property was acquired from an affiliate of Klaff (Note 4) for a purchase price of \$9.9 million, including the assumption of existing mortgage debt in the principal amount of \$3.8 million.

On January 24, 2006, the Company acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey. The property, which is 100% occupied and located in northeastern New Jersey, is a 63,000 square foot shopping center anchored by a 49,000 square foot A&P Supermarket. A portion of the remaining 40% interest is owned by a principal of P/A Associates, LLC ("P/A"). The interest was acquired for \$3.2 million. There is an existing first mortgage debt of \$8.6 million encumbering the property.

On June 16, 2006, the Company purchased 8400 and 8625 Germantown Road in Philadelphia, Pennsylvania for \$16.0 million. The Company assumed a \$10.1 million first mortgage loan which has a maturity date of June 11, 2013. The 40,570 square foot property is 100% occupied.

On September 21, 2006, the Company purchased 2914 Third Avenue in the Bronx, New York for \$18.5 million. The 41,305 square foot property is 100% occupied.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition and Disposition of Properties and Discontinued Operations, continued

Acquisitions, continued

On April 6, 2005, in conjunction with an investment partner, P/A Associates, LLC (“P/A”), Fund II, through Acadia-P/A Holding Company, LLC (“Acadia-P/A”) purchased a 140,000 square foot building located in the Washington Heights section of Manhattan, New York for a purchase price of \$25.0 million. In September 2005, Acadia-P/A obtained a mortgage loan of \$19.0 million secured by this property which requires monthly payments of interest only at a fixed interest rate of 5.26% and matures September 2007.

During July 2005, Fund II, in conjunction with its partners in the Retailer Controlled Property Venture, invested \$1.0 million for a 50% interest in a leasehold located in Rockville, Maryland.

During July of 2005, the Company purchased 4343 Amboy Road located in Staten Island, New York for \$16.6 million in cash and \$0.2 million in Common OP Units.

On August 5, 2005, Acadia-P/A purchased 260 East 161st Street in the Bronx, New York for \$49.4 million, inclusive of closing and other related acquisition costs. Concurrent with the closing, Acadia-P/A obtained a short term loan of \$12.1 million which bears interest at LIBOR plus 150 basis points and matured March 2006. In March 2006, the Company obtained a construction loan of \$30 million which bears interest at LIBOR plus 140 basis points and matures on April 2008.

On November 3, 2005, Fund II acquired a 36-year ground lease interest for a 112,000 square foot building located at Oakbrook Center in the Chicago Metro Area for \$6.9 million, including closing and other acquisition costs. The ground lease expires in July 2017 and has three 10-year-options. The current tenant’s lease expires in October 2011 with four 5-year-options at the current rent plus one 15-year option at fair market value.

In December 2005, Acadia-P/A acquired a 65,000 square foot parking garage located at 10th Avenue in Manhattan, New York for \$7.0 million, including closing and other acquisition costs. Concurrent with the closing, Acadia-P/A obtained a \$4.9 million short term loan which matured on March 31, 2006 and bore interest at LIBOR plus 125 basis points. In July 2006, the Company obtained a construction loan of \$19.2 million which bears interest at LIBOR plus 125 basis points and matures on December 31, 2008. As of December 31, 2006, the amount outstanding on this loan was \$6.4 million.

Also in December 2005, Acadia-P/A acquired the remaining 40-year term of a leasehold interest on land located at Liberty Avenue in Queens, New York for \$0.3 million.

In March, 2004, the Company, through a newly-formed joint venture with an unaffiliated third-party 10% investor, acquired a \$9.6 million first mortgage loan secured by a shopping center in Aiken, South Carolina, which was in default, for \$5.5 million and subsequently acquired the fee interest in this property through a deed in lieu of foreclosure. In September, 2004 this joint venture acquired an adjacent property for a cash price of \$1.5 million. In the fourth quarter of 2005, the Company exchanged its common equity interest in these properties for a 15% preferred equity position. As a result of the afore-mentioned exchange, as of December 31, 2005, the Company accounts for this investment under the equity method (Note 4).

On September 29, 2004, Acadia-P/A purchased 400 East Fordham Road in the Bronx, New York for \$30.2 million, inclusive of closing and other related acquisition costs for cash. Subsequent to the closing, Acadia P/A financed this acquisition with an \$18.0 million mortgage loan from a bank which bears interest at LIBOR plus 175 basis points and matures November 2007. On February 25, 2005, Acadia-P/A purchased a parcel of land adjacent to 400 E. Fordham Road for \$0.9 million, inclusive of closing and related acquisition costs.

On October 1, 2004, Acadia-P/A entered into a 95-year ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition and Disposition of Properties and Discontinued Operations, continued**Dispositions**

On November 3, 2006, the Company sold Bradford Town Centre, a 257,123 square foot shopping center in Towanda, Pennsylvania, for \$16.0 million which resulted in a \$5.6 million gain on the sale.

On November 28, 2006, the Company sold three properties, Greenridge Plaza, a 191,767 square foot shopping center in Scranton, Pennsylvania, for \$10.6 million which resulted in a \$4.7 million gain on the sale, Luzerne Street Center, a 58,035 square foot shopping center in Scranton, Pennsylvania, for \$3.6 million which resulted in a \$2.5 million gain on the sale and Pittston Plaza, a 79,498 square foot shopping center in Pittston, Pennsylvania, for \$6.0 million which resulted in a \$0.5 million gain on the sale.

On December 14, 2006, the Company sold Soundview Marketplace, a 183,815 square foot shopping center in Port Washington, New York, for \$24.0 million which resulted in a \$7.9 million gain on the sale.

On July 7, 2005, the Company sold Berlin Shopping Center for \$4.0 million. An impairment loss of \$0.8 million was recognized for the year ended December 31, 2005, to reduce the carrying value of this asset to fair value less costs to sell.

On November 22, 2004, the Company sold East End Centre, a 308,000 square foot shopping center in Wilkes-Barre, Pennsylvania, for approximately \$12.4 million which resulted in a \$6.7 million gain on the sale.

B. Discontinued Operations

SFAS No. 144 requires discontinued operations presentation for disposals of a "component" of an entity. In accordance with SFAS No. 144, for all periods presented, the Company reclassified its consolidated statements of income to reflect income and expenses for properties which became held for sale subsequent to December 31, 2001, as discontinued operations and reclassified its consolidated balance sheets to reflect assets and liabilities related to such properties as assets and liabilities related to discontinued operations.

The combined results of operations of sold properties are reported separately as discontinued operations for the year ended December 31, 2006. These are related to the dispositions listed above.

The combined assets and liabilities and results of operations of the properties classified as discontinued operations are summarized as follows:

(dollars in thousands)	December 31, 2005
ASSETS	
Net real estate	\$ 35,538
Rent receivable, net	2,214
Other assets	1,974
Total assets	<u>\$ 39,726</u>
LIABILITIES AND DEFICIT	
Mortgage notes payable	\$ 13,800
Accounts payable and accrued expenses	653
Other liabilities	611
Total liabilities	<u>15,064</u>
Surplus	<u>24,662</u>
Total liabilities and surplus	<u>\$ 39,726</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition and Disposition of Properties and Discontinued Operations, continued

B. Discontinued Operations, continued

(dollars in thousands)	Years ended December 31,		2004
	2006	2005	
Total revenues	\$ 8,466	\$ 9,437	\$ 11,113
Total expenses	5,763	7,614	9,517
	2,703	1,823	1,596
Impairment of real estate	—	(770)	—
(Loss) gain on sale of properties	20,974	(50)	6,696
Minority interest	(458)	(20)	(165)
Income from discontinued operations	<u>\$ 23,219</u>	<u>\$ 983</u>	<u>\$ 8,127</u>

3. Segment Reporting

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with the retail versus residential tenants. The following table sets forth certain segment information for the Company, reclassified for discontinued operations, as of and for the years ended December 31, 2006, 2005, and 2004 (does not include unconsolidated affiliates):

2006

(dollars in thousands)	Retail Properties	Multi-Family Properties	All Other	Total
Revenues	\$ 79,399	\$ 7,710	\$ 15,584	\$ 102,693
Property operating expenses and real estate taxes	22,011	4,308	—	26,319
Other Expenses	15,298	1,482	3,002	19,782
Net property income before depreciation and amortization	<u>\$ 42,090</u>	<u>\$ 1,920</u>	<u>\$ 12,582</u>	<u>\$ 56,592</u>
Depreciation and amortization	<u>\$ 24,659</u>	<u>\$ 1,510</u>	<u>\$ 468</u>	<u>\$ 26,637</u>
Interest expense	<u>\$ 21,000</u>	<u>\$ 1,451</u>	<u>\$ —</u>	<u>\$ 22,451</u>
Real estate at cost	<u>\$ 634,815</u>	<u>\$ 42,423</u>	<u>\$ —</u>	<u>\$ 677,238</u>
Total assets	<u>\$ 774,905</u>	<u>\$ 36,626</u>	<u>\$ 40,161</u>	<u>\$ 851,692</u>
Expenditures for real estate and improvements	<u>\$ 86,219</u>	<u>\$ 790</u>	<u>\$ —</u>	<u>\$ 87,009</u>

Reconciliation to net income

Net property income before depreciation and amortization	\$ 56,592
Depreciation and amortization	(26,637)
Equity in earnings of unconsolidated partnerships	2,559
Interest expense	(22,451)
Income from discontinued operations	23,219
Income taxes	508
Minority interest	5,223
Net income	<u>\$ 39,013</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Reporting, continued

2005

(dollars in thousands)	<u>Retail Properties</u>	<u>Multi-Family Properties</u>	<u>All Other</u>	<u>Total</u>
Revenues	\$ 86,070	\$ 7,688	\$ 7,048	\$ 100,806
Property operating expenses and real estate taxes	21,236	4,253	—	25,489
Other Expenses	9,396	267	6,490	16,153
Net property income before depreciation and amortization	<u>\$ 55,438</u>	<u>\$ 3,168</u>	<u>\$ 558</u>	<u>\$ 59,164</u>
Depreciation and amortization	<u>\$ 23,989</u>	<u>\$ 1,465</u>	<u>\$ 451</u>	<u>\$ 25,905</u>
Interest expense	<u>\$ 17,449</u>	<u>\$ 1,355</u>	<u>\$ —</u>	<u>\$ 18,804</u>
Real estate at cost	<u>\$ 668,273</u>	<u>\$ 41,633</u>	<u>\$ —</u>	<u>\$ 709,906</u>
Total assets	<u>\$ 755,691</u>	<u>\$ 37,295</u>	<u>\$ 48,605</u>	<u>\$ 841,591</u>
Expenditures for real estate and improvements	<u>\$ 130,059</u>	<u>\$ 1,018</u>	<u>\$ —</u>	<u>\$ 131,077</u>

Reconciliation to net income

Net property income before depreciation and amortization	\$ 59,164
Depreciation and amortization	(25,905)
Equity in earnings of unconsolidated partnerships	21,280
Interest expense	(18,804)
Income from discontinued operations	983
Income taxes	(2,140)
Minority interest	(13,952)
Net income	<u>\$ 20,626</u>

2004

(dollars in thousands)	<u>Retail Properties</u>	<u>Multi-Family Properties</u>	<u>All Other</u>	<u>Total</u>
Revenues	\$ 76,529	\$ 7,596	\$ 2,957	\$ 87,082
Property operating expenses and real estate taxes	21,060	4,134	—	25,194
Other expenses	7,593	490	2,858	10,941
Net property income before depreciation and amortization	<u>\$ 47,876</u>	<u>\$ 2,972</u>	<u>\$ 99</u>	<u>\$ 50,947</u>
Depreciation and amortization	<u>\$ 21,020</u>	<u>\$ 1,433</u>	<u>\$ 328</u>	<u>\$ 22,781</u>
Interest expense	<u>\$ 15,169</u>	<u>\$ 1,518</u>	<u>\$ —</u>	<u>\$ 16,687</u>
Real estate at cost	<u>\$ 558,943</u>	<u>\$ 40,615</u>	<u>\$ —</u>	<u>\$ 599,558</u>
Total assets	<u>\$ 579,110</u>	<u>\$ 36,872</u>	<u>\$ 20,749</u>	<u>\$ 636,731</u>
Expenditures for real estate and improvements	<u>\$ 47,769</u>	<u>\$ 842</u>	<u>\$ —</u>	<u>\$ 48,611</u>

Reconciliation to net income

Net property income before depreciation and amortization	\$ 50,947
Depreciation and amortization	(22,781)
Equity in earnings of unconsolidated partnerships	513
Interest expense	(16,687)
Gain on sale of land	932
Income from discontinued operations	8,127
Minority interest	(1,466)
Net income	<u>\$ 19,585</u>

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments

A. Investments In and Advances to Unconsolidated Affiliates

Retailer Controlled Property Venture

On January 27, 2004, the Company entered into the Retailer Controlled Property Venture (“RCP Venture”) with Klaff Realty, L.P. (“Klaff”) and Klaff’s long-time capital partner Lubert-Adler Management, Inc. (“Lubert-Adler”) for the purpose of making investments in surplus or underutilized properties owned by retailers. On September 2, 2004, affiliates of Fund I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyns through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerberus, acquired Mervyns from Target Corporation. The total acquisition price was \$1.2 billion, with such affiliates’ combined \$24.6 million share of the investment divided equally between them. The Operating Partnership’s share of the Mervyns investment totaled \$5.2 million. Since inception, Mervyns I and II received distributions totaling \$50.8 million and recognized income of \$23.1 million. For the year ended December 31, 2006, Mervyns I and II received distributions of \$4.6 million and recognized \$2.2 million of income representing the excess distribution over its remaining capital.

During 2006, the RCP Venture made its second investment with its participation in the acquisition of Albertsons. Affiliates of Fund II, through the same limited liability companies which were formed for the investment in Mervyns, invested \$20.7 million in the acquisition of Albertsons through the RCP Venture, along with others as part of an investment consortium. The Operating Partnership’s share of the invested capital was \$4.2 million.

During 2006, Fund II made additional investments of \$4.1 million, through the RCP Venture, in two Albertsons investments, Camellia and Newkirk, and in Shopko and Marsh. The Operating Partnership’s share of the additional investments totaled \$0.7 million. Consequently, the Company accounts for these investments using the cost method due to the minor ownership percent interest and the inability to exert influence over the partnership’s operating and financial policies.

Brandywine Portfolio

On January 4, 2006, the institutional investors of Fund I transferred their 77.8% interest in the Brandywine Portfolio into affiliates of GDC in exchange for cash. The Operating Partnership transferred its 22.2% share of the Brandywine Portfolio into affiliates of GDC in exchange for a 22.2% interest in such affiliates. Prior to the closing of this transaction, the Operating Partnership provided \$17.6 million of mortgage financing secured by certain properties within the Brandywine Portfolio. This financing was repaid in June 2006.

Other Investments

Fund I Investments

Fund I has joint ventures with third party investors in the ownership and operation of Hitchcock Plaza, Pine Log Plaza, Sterling Heights Shopping Center, and Haygood Shopping Center. The Hitchcock Plaza is a 234,000 square foot shopping center located in Aiken, South Carolina. Adjacent to the Hitchcock Plaza is the 35,000 square foot Pine Log Plaza. Sterling Heights Shopping Center is a 155,000 square foot community shopping center located in Detroit, Michigan. Lastly, Haygood Shopping Center is a 178,000 square foot center located in Virginia Beach, Virginia. The investments in these properties are accounted for using the equity method of accounting.

In the fourth quarter 2006, Fund I completed the purchase of the remaining 50% interest in the Tarrytown Centre, a 35,000 square foot center located in Westchester, New York, from its unaffiliated partner. This investment, which had previously been accounted for using the equity method, is now consolidated.

Fund II Investments

Fund II acquired for \$1.0 million, a 50% equity interest from its partner in the RCP Venture in the entity which has a leasehold interest in a former Levitz Furniture store located in Rockville, Maryland. The investment in this property is accounted for using the equity method of accounting.

Crossroads

The Company owns a 49% interest in the Crossroads Joint Venture and Crossroads II Joint Venture (collectively, “Crossroads”), which collectively own a 311,000 square foot shopping center in White Plains, New York. The Company accounts for its investment in Crossroads using the equity method. The unamortized excess of the Company’s investment over its share of the net equity in Crossroads at the date of acquisition was \$19.6 million. The portion of this excess attributable to buildings and improvements are being amortized over the life of the related property.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**A. Investments In and Advances to Unconsolidated Affiliates, continued**

The following tables summarize the Company's investment in unconsolidated subsidiaries as of December 31, 2006, December 31, 2005 and December 31, 2004. The Investment in Mervyns represents the Company's share of the investment through the RCP Venture.

(dollars in thousands)	December 31, 2006				Total
	Mervyns	Brandywine Portfolio	Crossroads	Other Investments	
Balance Sheets					
Assets					
Rental property, net	\$ —	\$ 127,146	\$ 6,017	\$ 43,660	\$ 176,823
Investment in unconsolidated affiliates	385,444	—	—	—	385,444
Other assets	—	6,747	4,511	6,632	17,890
Total assets	<u>\$ 385,444</u>	<u>\$ 133,893</u>	<u>\$ 10,528</u>	<u>\$ 50,292</u>	<u>\$ 580,157</u>
Liabilities and partners' equity					
Mortgage note payable	\$ —	\$ 166,200	\$ 64,000	\$ 28,558	\$ 258,758
Other liabilities	—	12,709	1,858	8,862	23,429
Partners equity (deficit)	385,444	(45,016)	(55,330)	12,872	297,970
Total liabilities and partners' equity	<u>\$ 385,444</u>	<u>\$ 133,893</u>	<u>\$ 10,528</u>	<u>\$ 50,292</u>	<u>\$ 580,157</u>
Company's investment in unconsolidated affiliates	<u>\$ 23,539</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,510</u>	<u>\$ 31,049</u>
Share of distributions in excess of share of income and investment in unconsolidated affiliates	<u>\$ —</u>	<u>\$ (10,541)</u>	<u>\$ (11,187)</u>	<u>\$ —</u>	<u>\$ (21,728)</u>
Statements of Operations					
Year ended December 31, 2006					
(dollars in thousands)	Mervyns	Brandywine Portfolio	Crossroads	Other Investments	Total
Total revenue	\$ —	\$ 18,324	\$ 9,208	\$ 3,707	\$ 31,239
Operating and other expenses	—	4,800	3,121	2,295	10,216
Interest expense	—	12,066	3,485	1,448	16,999
Equity in earnings (loss) of affiliates	(4,554)	—	—	—	(4,554)
Depreciation and amortization	—	2,947	580	1,416	4,943
Net income (loss)	<u>\$ (4,554)</u>	<u>\$ (1,489)</u>	<u>\$ 2,022</u>	<u>\$ (1,452)</u>	<u>\$ (5,473)</u>
Company's share of net income	2,212	(31)	991	(221)	2,951
Amortization of excess investment	—	—	392	—	392
Company's share of net income (loss)	<u>\$ 2,212</u>	<u>\$ (31)</u>	<u>\$ 599</u>	<u>\$ (221)</u>	<u>\$ 2,559</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**A. Investments In and Advances to Unconsolidated Affiliates, continued**

(dollars in thousands)	December 31, 2005			
	Mervyns	Crossroads	Other Investments	Total
Balance Sheets				
Assets				
Rental property, net	\$ —	\$ 6,458	\$ 31,093	\$ 37,551
Investment in unconsolidated affiliates	9,401	—	—	9,401
Other assets	—	5,543	8,708	14,251
Total assets	<u>\$ 9,401</u>	<u>\$ 12,001</u>	<u>\$ 39,801</u>	<u>\$ 61,203</u>
Liabilities and partners' equity				
Mortgage note payable	\$ —	\$ 64,000	\$ 16,340	\$ 80,340
Other liabilities	—	2,359	5,265	7,624
Partners equity (deficit)	9,401	(54,358)	18,196	(26,761)
Total liabilities and partners' equity	<u>\$ 9,401</u>	<u>\$ 12,001</u>	<u>\$ 39,801</u>	<u>\$ 61,203</u>
Company's investment in unconsolidated affiliates	<u>\$ 2,722</u>	<u>\$ —</u>	<u>\$ 15,141</u>	<u>\$ 17,863</u>
Share of distributions in excess of share of income and investment in unconsolidated affiliates	<u>\$ —</u>	<u>\$ (10,315)</u>	<u>\$ —</u>	<u>\$ (10,315)</u>
Statements of Operations				
Year ended December 31, 2005				
(dollars in thousands)	Mervyns	Crossroads	Other Investments	Total
Total revenue	\$ —	\$ 8,772	\$ 3,778	\$ 12,550
Operating and other expenses	—	2,581	2,206	4,787
Interest expense	—	3,632	906	4,538
Equity in earnings of affiliates	181,543	—	—	181,543
Depreciation and amortization	—	654	927	1,581
Net income (loss)	<u>\$ 181,543</u>	<u>\$ 1,905</u>	<u>\$ (261)</u>	<u>\$ 183,187</u>
Company's share of net income	20,902	988	(218)	21,672
Amortization of excess investment	—	392	—	392
Company's share of net income (loss)	<u>\$ 20,902</u>	<u>\$ 596</u>	<u>\$ (218)</u>	<u>\$ 21,280</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**A. Investments In and Advances to Unconsolidated Affiliates, continued**

	Year ended December 31, 2004		
	Crossroads	Other Investments	Total
(dollars in thousands)			
Statements of Operations			
Total revenue	\$ 8,160	\$ 380	\$ 8,540
Operating and other expenses	2,707	—	2,707
Interest expense	2,740	384	3,124
Depreciation and amortization	778	416	1,194
Net income (loss)	<u>\$ 1,935</u>	<u>\$ (420)</u>	<u>\$ 1,515</u>
Company's share of net income	1,112	(207)	905
Amortization of excess investment	392	—	392
Company's share of net income (loss)	<u>\$ 720</u>	<u>\$ (207)</u>	<u>\$ 513</u>

B. Notes Receivable and Preferred Equity Investment

In March 2005, the Company invested \$20.0 million in a preferred equity position ("Preferred Equity Investment") with Levitz SL, L.L.C. ("Levitz SL"), the owner of fee and leasehold interests in 30 locations (the "Levitz Properties") totaling 2.5 million square feet, of which the majority are currently leased to Levitz Furniture Stores (which filed for bankruptcy protection under Chapter 11 in October 2005). Klaff Realty L.P. ("Klaff") is a managing member of Levitz SL. The Preferred Equity Investment received a return of 10%, plus a minimum return of capital of \$2.0 million per annum. During March 2006, the rate of return was reset to the six-month LIBOR plus 644 basis points or 11.5%.

In June 2006, the Company converted the Preferred Equity Investment to a first mortgage loan in the amount of \$31.3 million. The loan has a maturity date of May 31, 2008 and has an interest rate of 10.5%. The loan was secured by fee and leasehold mortgages as well as a pledge of the entities owning 19 of the Levitz Properties totaling 1.8 million square feet. During the third quarter of 2006, Levitz SL sold one of the Levitz Properties located in Northridge, California and used \$20.4 million of the proceeds to partially pay down the loan. As of December 31, 2006, the loan balance amounted to \$10.9 million and is included in Notes Receivable and Preferred Equity Investment on the consolidated balance sheet. Management believes that the underlying value of the real estate is sufficient to recover the mortgage and accordingly, no reserve is required at December 31, 2006.

5. Deferred Charges

Deferred charges consist of the following as of December 31, 2006 and 2005:

	December 31,	
	2006	2005
(dollars in thousands)		
Deferred financing costs	\$ 15,684	\$ 9,631
Deferred leasing and other costs	31,848	25,855
	47,532	35,486
Accumulated amortization	(14,277)	(11,747)
	<u>\$ 33,255</u>	<u>\$ 23,739</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Mortgage and Other Notes Payable

At December 31, 2006, mortgage and other notes payable were collateralized by 52 properties and related tenant leases. Interest rates on our outstanding mortgage indebtedness ranged from 5.0% to 8.5% with maturities that ranged from July 2007 to November 2032. Certain loans are cross-collateralized and cross-defaulted. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios.

On January 12, 2006, in conjunction with the purchase of a property, the Company assumed a loan of \$3.8 million which bears interest at a fixed rate of 8.5% and matures on April 11, 2028.

On January 24, 2006, in conjunction with the purchase of a partnership interest, the Company assumed a loan of \$8.6 million which bears interest at a fixed rate of 6.4% and matures on November 1, 2032.

On February 22, 2006, the Company refinanced a property within its existing portfolio for \$20.5 million. This loan bears interest at a fixed rate of 5.4% and matures on March 1, 2016.

On March 27, 2006, the Company refinanced a property for \$30.0 million. This loan bears interest at LIBOR plus 140 basis points and matures on April 1, 2008. A portion of the proceeds were used to pay down the existing \$12.1 million of debt on this property.

On May 18, 2006, the Company closed on a construction loan for a property up to \$12.0 million. This loan bears interest at LIBOR plus 165 basis points and matures on May 18, 2009. Proceeds from this loan will be drawn down as needed and will be used to fund construction work. As of December 31, 2006, the amount outstanding on this loan was \$5.4 million.

On June 16, 2006, in conjunction with the purchase of a property, the Company assumed a loan of \$10.1 million which bears interest at a fixed rate of 5.45% and matures on June 11, 2013.

On July 12, 2006, the Company closed on a construction loan for a property for \$19.2 million. This loan bears interest at LIBOR plus 125 basis points and matures on December 31, 2008. Proceeds from this loan will be drawn down as needed and will be used to fund construction work. As of December 31, 2006, the amount outstanding on this loan was \$6.4 million.

On September 8, 2006, the Company financed a property for \$23.5 million. This loan bears interest at a fixed rate of 6.06% and matures on August 29, 2016.

On November 3, 2006, in conjunction with the sale of a property, the Company paid off \$5.3 million of debt. This loan was cross-collateralized with another property. As part of the payoff, the other property mortgage balance was reduced by \$1.5 million.

On December 14, 2006, in conjunction with the sale of a property, the Company paid off \$8.2 million of debt.

On December 18, 2006, the Company paid off \$2.5 million on an existing loan. The remaining balance on this loan is \$2.9 million.

On December 19, 2006, the Company modified two existing facilities with the Bank of America which were collateralized by eight of the Company's properties into a new \$75.0 million revolving credit facility collateralized by seven of the properties and a new \$16.0 million term loan on the remaining property. Utilizing the proceeds from the issuance of convertible debt (Note 7) the Company paid off the existing facilities balances in December 2006. The new \$75.0 million revolving credit facility, which can be increased up to \$88.0 million based on collateral performance, bears interest at LIBOR plus 125 basis points and matures on December 1, 2010. As of December 31, 2006, there was no outstanding balance on this facility. The new \$16.0 million term loan bears interest at LIBOR plus 130 basis points and matures on December 1, 2011. The above transactions were reflected as a modification of debt in accordance with Emerging Issues Task Force No. 96-19, "Debtors Accounting for Modifications or Exchange of Debt Instruments".

During March 2005, the Company obtained a secured revolving line of credit with a bank for \$70.0 million. The revolving line of credit bears interest rate either at Prime plus 0% or LIBOR plus 0.75% at borrower's option. The loan matures at the earlier of three years or the date on which capital commitments have been fully drawn. As of December 31, 2005, the outstanding balance on this facility was \$24.4 million. On January 18, 2006, the Company drew an additional \$1.8 million on this facility. On April 21, 2006, the Company paid down \$15.0 million on this facility. On June 1, 2006, the Company drew an additional \$19.2 million on this facility. On June 22, 2006, the entire existing balance of \$30.4 million was paid off by the Company.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Mortgage and Other Notes Payable, continued

The following table summarizes our mortgage indebtedness as of December 31, 2006 and December 31, 2005:

(dollars in thousands)	December 31, 2006	December 31, 2005	Interest Rate at December 31, 2006	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable—variable-rate						
Washington Mutual Bank, FA	\$ 21,524	\$ 23,669	6.83% (LIBOR + 1.50%)	4/1/2011	(1)	(31)
Bank of America, N.A.	9,925	10,082	6.73% (LIBOR + 1.40%)	6/29/2012	(2)	(31)
RBS Greenwich Capital	30,000	—	6.73% (LIBOR + 1.40%)	4/1/2008	(3)	(32)
Bank of America, N.A.	6,424	4,900	6.58% (LIBOR + 1.25%)	12/31/2008	(4)	(32)
PNC Bank, National Association	5,363	—	6.98% (LIBOR + 1.65%)	5/18/2009	(5)	(39)
JP Morgan Chase	2,939	5,570	7.33% (LIBOR + 2.00%)	10/5/2007	(6)	(31)
Bank of China, New York Branch	18,000	18,000	7.08% (LIBOR + 1.75%)	11/1/2007	(7)	(32)
Bank of America, N.A.	16,000	—	6.63% (LIBOR + 1.30%)	12/1/2011	(8)	(31)
Bank of America, N.A.	—	—	6.58% (LIBOR + 1.25%)	12/1/2010	(9)	(33)
Bank of America, N.A.	—	22,000	6.63% (LIBOR + 1.30%)	6/1/2010	(10)	(32)
Bank of America, N.A.	—	44,485	6.73% (LIBOR + 1.40%)	6/29/2012	(11)	(33)
Bank of America, N.A.	—	12,066	6.83% (LIBOR + 1.50%)	2/1/2006	(3)	(32)
Bank of America, N.A.	—	24,400				
Interest rate swaps	(16,002)	(92,376)				
Total variable-rate debt	94,173	72,796				

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Mortgage and Other Notes Payable, continued

(dollars in thousands)	December 31, 2006	December 31, 2005	Interest Rate at December 31, 2006	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable – fixed-rate						
Sun America Life Insurance Company	\$ 12,665	\$ 12,936	6.46%	7/1/2007	(12)	(31)
Bank of America, N.A.	15,686	15,882	7.55%	1/1/2011	(13)	(31)
RBS Greenwich Capital	15,672	15,894	5.19%	6/1/2013	(14)	(31)
RBS Greenwich Capital	14,940	15,000	5.64%	9/6/2014	(15)	(31)
RBS Greenwich Capital	17,600	17,600	4.98%	9/6/2015	(16)	(34)
RBS Greenwich Capital	12,500	12,500	5.12%	11/6/2015	(17)	(35)
Bear Stearns Commercial	34,600	34,600	5.53%	1/1/2016	(18)	(36)
Bear Stearns Commercial	20,500	—	5.44%	3/1/2016	(19)	(32)
LaSalle Bank, N.A.	3,782	—	8.50%	4/11/2028	(20)	(31)
GMAC Commercial	8,565	—	6.40%	11/1/2032	(21)	(31)
Column Financial, Inc.	9,997	—	5.45%	6/11/2013	(22)	(31)
Merrill Lynch Mortgage Lending, Inc.	23,500	—	6.06%	8/29/2016	(23)	(37)
Bank of China	19,000	19,000	5.26%	9/1/2007	(24)	(32)
Cortlandt Deposit Corp	7,425	9,900	6.62%	2/1/2009	(25)	(38)
Cortlandt Deposit Corp	7,339	9,785	6.51%	1/15/2009	(26)	(38)
The Ohio National Life Insurance Co.	4,526	4,667	8.20%	6/1/2022	(27)	(31)
Canada Life Insurance Company	6,743	6,945	8.00%	1/1/2023	(28)	(31)
UBS Warburg Real Estate	—	30,000	4.69%	2/11/2008	(29)	(32)
UBS Warburg Real Estate	—	21,018	7.01%	7/11/2012	(29)	(31)
UBS Warburg Real Estate	—	15,964	7.32%	6/11/2012	(30)	(31)
Interest rate swaps	16,002	92,376	6.28%	(40)		
Total fixed-rate debt	251,042	334,067				
Total fixed and variable debt	345,215	406,863				
Valuation premium on assumption of debt net of amortization	2,187	4,137				
Total	\$ 347,402	\$ 411,000				

Notes:

(1)	Ledgewood Mall	(15)	New Loudon Center
(2)	Smithtown Shopping Center	(16)	Crescent Plaza
(3)	244-268 161 st Street	(17)	Pacesetter Park Shopping Center
(4)	216 th Street	(18)	Elmwood Park Shopping Center
(5)	Liberty Avenue	(19)	Gateway Shopping Center
(6)	Granville Center	(20)	Clark-Diversey
(7)	400 East Fordham Road	(21)	Boonton
(8)	Branch Shopping Center	(22)	Chestnut Hill
(9)	Marketplace of Absecon	(23)	Walnut Hill
	Bloomfield Town Square	(24)	Sherman Avenue
	Hobson West Plaza	(25)	Kroger Portfolio
	Village Apartments	(26)	Safeway Portfolio
	Town Line Plaza	(27)	Amherst Marketplace
	Methuen Shopping Center	(28)	Sheffield Crossing
	Abington Towne Center	(29)	Brandywine Town Center
(10)	Bloomfield Town Square	(30)	Market Square Shopping Center
	Hobson West Plaza	(31)	Monthly principal and interest.
	Marketplace of Absecon	(32)	Interest only monthly.
	Village Apartments	(33)	Annual principal and monthly interest.
(11)	Abington Towne Center	(34)	Interest only monthly until 9/10; monthly principal and interest thereafter.
	Branch Shopping Center	(35)	Interest only monthly until 11/08; monthly principal and interest thereafter.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Mortgage Loans, continued

	Methuen Shopping Center	(36)	Interest only monthly until 1/10; monthly principal and interest thereafter.
	Town Line Plaza	(37)	Interest only monthly until 11/11; monthly principal and interest thereafter.
(12)	Merrillville Plaza	(38)	Annual principal and semi-annual interest payments.
(13)	GHT Apartments/Colony Apartments	(39)	Interest only upon draw down on construction loan.
(14)	239 Greenwich Avenue	(40)	Maturing between 1/1/10 and 10/1/11.

In connection with the assumption of debt in accordance with the requirements of SFAS No. 141, the Company has recorded a valuation premium which is being amortized to interest expense over the remaining terms of the underlying mortgage loans.

7. Convertible Notes Payable

In December 2006, the Company issued \$100.0 million of convertible notes due 2026 (the "Convertible Notes"). The Convertible Notes were issued at par and pay interest in cash semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2007. The Convertible Notes are unsecured unsubordinated obligations and rank equally with all other unsecured and unsubordinated indebtedness. There was an option to increase the issuance of the Convertible Notes by an additional \$15.0 million, which was exercised on January 8, 2007, resulting in additional proceeds of \$14.7 million. The Convertible Notes have an initial conversion price of \$30.86 per share. Upon conversion of the Convertible Notes, the Company will deliver cash and, in some circumstances, Common Shares, as specified in the indenture relating to the Convertible Notes. The Convertible Notes may only be converted prior to maturity: (i) during any calendar quarter beginning after December 31, 2006 (and only during such calendar quarter), if, and only if, the closing sale price of the Company's Common Shares for at least 20 trading days (whether consecutive or not) in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than 130% of the conversion price per common share in effect on the applicable trading day; or (ii) during the five consecutive trading-day period following any five consecutive trading-day period in which the trading price of the notes was less than 98% of the product of the closing sale price of the Company's Common Shares multiplied by the applicable conversion rate; or (iii) if those notes have been called for redemption, at any time prior to the close of business on the second business day prior to the redemption date; or (iv) if the Company's Common Shares are not listed on a United States national or regional securities exchange for 30 consecutive trading days. Prior to December 20, 2011, the Company will not have the right to redeem Convertible Notes, except to preserve its status as a REIT. After December 20, 2011, the Company will have the right to redeem the notes, in whole or in part, at any time and from time to time, for cash equal to 100% of the principal amount of the notes plus any accrued and unpaid interest to, but not including, the redemption date. The Holders of notes may require us to repurchase their notes, in whole or in part, on December 20, 2011, December 15, 2016, and December 15, 2021 for cash equal to 100% of the principal amount of the notes to be repurchased plus any accrued and unpaid interest to, but not including, the repurchase date.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Convertible Notes Payable, continued

If certain change of control transactions occur prior to December 20, 2011 and a holder elects to the Convertible Notes in connection with any such transaction, the Company will increase the conversion rate in connection with such conversion by a number of additional common shares based on the date such transaction becomes effective and the price paid per common share in such transaction. The conversion rate may also be adjusted under certain other circumstances, including the payment of cash dividends in excess of our current regular quarterly cash dividend of \$0.20 per Common Share, but will be not adjusted for accrued and unpaid interest on the notes.

Upon a conversion of notes, the Company will deliver cash and, at the Company's election, its Common Shares, with an aggregate value, which the Company refers to as the "conversion value", equal to the conversion rate multiplied by the average price of the Company's Common Shares as follows: (i) an amount in cash which the Company refers to as the "principal return", equal to the lesser of (a) the principal amount of the converted notes and (b) the conversion value; and (ii) if the conversion value is greater than the principal return, an amount with a value equal to the difference between the conversion value and the principal return, which the Company refers to as the "new amount". The net amount may be paid, at the Company's option, in cash, its Common Shares or a combination of cash and its Common Shares.

The scheduled principal repayments of all indebtedness as of December 31, 2006 are as follows:

2007	\$ 60,033
2008	43,951
2009	13,172
2010	18,235
2011	136,054
Thereafter	<u>173,770</u>
	<u>\$ 445,215</u>

8. Shareholders' Equity and Minority Interests**Common Shares**

In March of 2004, a secondary public offering was completed for a total of 5,750,000 Common Shares. The selling shareholders, Yale University and its affiliates ("Yale") and Ross Dworman, a former trustee, sold 4,191,386 and 1,558,614 Common Shares, respectively. The Company did not sell any Common Shares in the offering and did not receive any proceeds from the offering.

During November 2004, the Company issued 1,890,000 Common Shares (the "Offering"). The \$28.3 million in proceeds from the Offering, net of related costs, was used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Yale and Kenneth F. Bernstein, the Company's Chief Executive Officer, also sold 1,000,000, and 110,000 Common Shares, respectively, in connection with this transaction. Mr. Bernstein sold 110,000 Common Shares in connection with his exercise of options to purchase 150,000 Common Shares. In October 2005, the Board of Trustees approved a resolution permitting one of its institutional shareholders, which at the time owned approximately 3.8% of the Company's outstanding Common Shares, to acquire additional shares through open market purchases. This waiver of the Company's share ownership limitation permitted this shareholder to acquire up to an additional 6% of the Company's shares through December 31, 2005, or an aggregate of up to 9.8% of the Company's Common Shares.

Through December 31, 2006, the Company had repurchased 2,051,605 Common Shares at a total cost of \$11.7 million (all of these Common Shares have been subsequently reissued) under its share repurchase program that allows for the repurchase of up to \$20.0 million of its outstanding Common Shares. The repurchased shares are reflected as a reduction of par value and additional paid-in capital.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Shareholders' Equity and Minority Interests, continued

Minority Interests

The following table summarizes the change in the minority interests since December 31, 2005:

	Minority Interest in Operating Partnership	Minority Interest in partially- owned Affiliates
(dollars in thousands)		
Balance at December 31, 2005	\$ 9,204	\$ 137,086
Dividends and distributions declared of \$0.755 per Common Share and Common OP Unit	(487)	—
Net income (loss) for the period January 1 through December 31, 2006	804	(5,569)
Distributions paid	—	(73,242)
Conversion of Series A Preferred OP Units	(696)	—
Acquisition of partnership interest	—	2,246
Other comprehensive income – unrealized loss on valuation of swap agreements	(6)	—
Redemption of 11,105 Restricted Common OP Units	(146)	—
Minority Interest contributions	—	44,543
Balance at December 31, 2006	<u>8,673</u>	<u>105,064</u>

Notes:

Minority interest in the Operating Partnership represents (i) the limited partners' interest of 642,272 and 653,360 Common OP Units at December 31, 2006 and 2005, respectively, (ii) 188 and 884 Series A Preferred OP Units at December 31, 2006 and 2005, respectively, with a nominal value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$22.50 per unit (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit, and (iii) 4,000 Series B Preferred OP Units at both December 31, 2006 and 2005 with a nominal value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$13.00 (5.2% annually) per unit or (b) the quarterly distribution attributable to a Series B Preferred OP Unit if such unit were converted into a Common OP Unit.

During July 2005, the Company issued to a third party 11,105 Restricted Common OP Units valued at \$18.01 per unit in connection with the purchase of 4343 Amboy Road. The holder of the Common OP Units was restricted from selling these for six months from the date of the transaction. During June 2006, the Company redeemed for cash the 11,105 Restricted Common OP Units.

Minority interests in partially-owned affiliates include third-party interests in three partnerships in which the Company has a majority ownership position. In addition, the accompanying financial statements include the limited partners' and non-managing members' interests in Funds I and II, and Mervyns I and II as additional minority interests in partially-owned affiliates.

During January 2006, the Company acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey, (Note 6). The remaining 40% interest is owned by a third party and is reflected as minority interest in the accompanying Consolidated Balance Sheet as of December 31, 2006. Also during January 2006, Fund I recapitalized the Brandywine Portfolio, and as a result, \$36.5 million was distributed to the institutional investors in Fund I.

The following table summarizes the minority interest contributions and distributions in 2006:

	Contributions	Distributions
(dollars in thousands)		
Minority interest in two partnerships(1)	\$ —	\$ (232)
Fund I (2)	—	(37,223)
Mervyns I	—	(16,864)
Fund II	24,664	—
Mervyns II	19,879	(18,923)
	<u>\$ 44,543</u>	<u>\$ (73,242)</u>

(1) Represents 239 Greenwich Avenue and The Boonton Shopping Center.

(2) Includes Brandywine Portfolio distribution of \$36,454.

**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

8. Shareholders' Equity and Minority Interests, continued

Minority Interests, continued

In February 2005, the Company issued \$4.0 million (250,000 Restricted Common OP Units valued at \$16.00 each) of Restricted Common OP Units to Klaff in consideration for the 25% balance of certain management contract rights as well as the rights to certain potential future revenue streams. This followed the acquisition of 75% of the management contract rights from Klaff in January 2004 as reflected below. The Restricted Common OP Units are convertible into the Company's Common Shares on a one-for-one basis after a five-year lock-up period. \$1.1 million of the purchase price was allocated to investment in management contracts in the consolidated balance sheet and is being amortized over the estimated remaining life of the contracts. For both years 2006 and 2005, \$0.2 million of these Klaff management contracts were written off following the disposition of these assets. The remainder of the \$2.9 million purchase price has been allocated to deferred charges in the consolidated balance sheet. \$1.1 million of these allocated costs have been identified to future revenue streams and are being amortized over the estimated life of each deal. The remaining \$1.8 million will be allocated over future acquisitions as they occur.

During 2005 and 2004, various limited partners converted a total of 746,762 and 2,058,804 Common OP Units into Common Shares on a one-for-one basis, respectively. Mr. Dworman, a trustee of the Company, received 34,841 of Common OP Units through various affiliated entities during 2003 (Note 9).

The Series A Preferred OP Units were issued on November 16, 1999 in connection with the acquisition of all the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. Certain Series A Preferred OP Unit holders converted 696 Series A Preferred OP Units into 92,800 Common OP Units and then into Common Shares in both 2006 and 2005. The Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by \$7.50. After the seventh anniversary following their issuance, either the Company or the holders can call for the conversion of the Series A Preferred OP Units at the lesser of \$7.50 or the market price of the Common Shares as of the conversion date.

4,000 Series B Preferred OP Units were issued to Klaff in January 2004 in consideration for the acquisition of 75% of certain management contract rights. The Preferred OP Units are convertible into Common OP Units based on the stated value of \$1,000 divided by \$12.82 at any time. Additionally, Klaff may redeem them at par for either cash or Common OP Units after the earlier of the third anniversary of their issuance, or the occurrence of certain events including a change in the control of the Company. Finally, after the fifth anniversary of the issuance, the Company may redeem the Preferred OP Units and convert them into Common OP Units at market value as of the redemption date. The \$4.0 million purchase price is reflected in the investment in management contracts in the consolidated balance sheet and is being amortized over the estimated life of the contracts. For both years 2006 and 2005, \$0.5 million of these Klaff management contracts were written off following the disposition of these assets. Subsequent to December 31, 2006, Klaff converted 3,800 Series B Preferred Units into 296,412 Common OP Units and ultimately into Common Shares (Note 21).

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Related Party Transactions

In February 2005, the Operating Partnership issued \$4.0 million of Restricted Common OP Units to Klaff for the balance of certain management contract rights as well as the rights to certain potential future revenue streams (Note 8).

In March 2005, the Company completed a \$20.0 million Preferred Equity Investment with Levitz SL, of which Klaff, a common and preferred OP unit holder, is the managing member. In June 2006, the Company converted its Preferred Equity Investment with Levitz SL, into a mortgage loan (Note 4).

The Company managed one property in which a major shareholder of the Company had an ownership interest and earned a management fee of 3% of tenant collections. Management fees earned by the Company under this contract aggregated \$0.1 million for the year ended December 31, 2004. In addition, the Company earned leasing commission of \$0.2 million related to this property for the year ended December 31, 2004. In connection with the sale of the property on July 12, 2004, the management contract was terminated and the Company earned a \$0.08 million disposition fee.

Lee Wielansky, the Lead Trustee of the Company, was paid a consulting fee of \$0.1 million for each of the years ended December 31, 2006, 2005 and 2004.

On March 19, 2004, Ross Dworman, a former trustee of the Company, and certain entities controlled by Mr. Dworman converted 1,000,000 share options and 548,614 OP Units held by them to Common Shares in connection with a secondary public offering.

During the year ended December 31, 2004, Kenneth F. Bernstein, President and Chief Executive Officer, and certain trustees of the Company exercised 400,000 and 20,000 options to purchase Common Shares, respectively.

10. Tenant Leases

Space in the shopping centers and other retail properties is leased to various tenants under operating leases that usually grant tenants renewal options and generally provide for additional rents based on certain operating expenses as well as tenants' sales volume.

Minimum future rentals to be received under non-cancelable leases for shopping centers and other retail properties as of December 31, 2006 are summarized as follows:

(dollars in thousands)

2007	\$ 77,415
2008	73,801
2009	70,464
2010	61,526
2011	49,610
Thereafter	326,043
	<u>\$ 658,859</u>

Minimum future rentals above include a total of \$0.3 million for two tenants (with three leases), which have filed for bankruptcy protection. None of these leases have been rejected nor affirmed. During the years ended December 31, 2006, 2005 and 2004, no single tenant collectively accounted for more than 10% of the Company's total revenues.

11. Lease Obligations

The Company leases land at seven of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. Ground rent expense was \$4.5 million, \$3.5 million, and \$1.5 million (including capitalized ground rent at properties under development of \$3.4 million, \$2.7 million and \$0.7 million) for the years ended December 31, 2006, 2005 and 2004, respectively. The leases terminate at various dates between 2008 and 2066. Four of these leases provide the Company with options to renew for additional terms aggregating from 20 to 60 years. The Company leases space for its White Plains corporate office for a term expiring in 2010. Office rent expense under this lease was \$0.6 million, \$0.4 million and \$0.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. Future minimum rental payments required for leases having remaining non-cancelable lease terms are as follows:

(dollars in thousands)

2007	\$ 3,628
2008	3,664
2009	3,966
2010	4,567
2011	3,998
Thereafter	100,971
	<u>\$ 120,794</u>

**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

12. Share Incentive Plan

During 1999, the Company adopted the 1999 Share Incentive Plan (the "1999 Plan"), which replaced both the 1994 Share Option Plan and the 1994 Non-Employee Trustees' Share Option Plan. The 1999 Plan authorizes the issuance of options equal to up to 8% of the total Common Shares outstanding from time to time on a fully diluted basis. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 Plan. Options are granted by the Share Option Plan Committee (the "Committee"), which currently consists of two non-employee Trustees, and will not have an exercise price less than 100% of the fair market value of the Common Shares and a term of greater than ten years at the grant date. Vesting of options is at the discretion of the Committee with the exception of options granted to non-employee Trustees, which vest in five equal annual installments beginning on the date of grant.

The 1999 Plan also provides for the granting of share appreciation rights, restricted shares and performance units/shares. Share appreciation rights provide for the participant to receive, upon exercise, cash and/or Common Shares, at the discretion of the committee, equal to the excess of the market value of the Common Shares at the exercise date over the market value of the Common Shares at the grant date. The Committee will determine the award and restrictions placed on restricted shares, including the dividends thereon and the term of such restrictions. The Committee also determines the award and vesting of performance units and performance shares based on the attainment of specified performance objectives of the Company within a specified performance period. Through December 31, 2006, no share appreciation rights or performance units/shares have been awarded.

During 2003, the Company adopted the 2003 Share Incentive Plan (the "2003 Plan") because no Common Shares remained available for future grants under the 1999 Plan. The 2003 Plan provides for the granting of options, share appreciation rights, restricted shares and performance units (collectively, "Awards") to officers, employees and trustees of the Company and consultants to the Company. The 2003 Plan is generally identical to the 1999 Plan, except that the maximum number of Common Shares that the Company may issue pursuant to the 2003 Plan is four percent of the Common Shares outstanding from time to time on a fully diluted basis. However, no participant may receive more than 1,000,000 Common Shares during the term of the 2003 Plan with respect to Awards. Pursuant to the 2003 Plan, non-employee Trustees receive an automatic grant of 3,000 options following each Annual Meeting of Shareholders.

During 2006, the Company adopted the 2006 Share Incentive Plan (the "2006 Plan") because relatively few Common Shares remained available for future grants under the 1999 and 2003 plans. The 2006 Plan provides for the granting of Awards to officers, employees and trustees of the Company and consultants to the Company. The 2006 Plan is substantially similar to the 2003 Plan, except that the maximum number of Common Shares that the Company may issue pursuant to the 2006 Plan is 500,000 Common Shares. No participant may receive more than 500,000 Common Shares during the term of the 2006 Plan with respect to Awards.

On January 6, 2006, the Company issued 62,630 options to Officers ("Officers") and Employees ("Employees") of the Company.

On May 16, 2006, the Company issued 18,000 options, 3,461 unrestricted shares and the equivalent of 1,340 Common Shares through a deferred compensation plan to Trustees of the Company in connection with Trustee fees. The options vest immediately.

As of December 31, 2006, the Company has 492,372 options outstanding to officers and employees of which 433,839 are vested. These options are for ten-year terms from the grant date and vest in three equal annual installments which begin on the grant date. In addition, 58,000 options have been issued to non-employee Trustees of which 57,400 options were vested as of December 31, 2006.

On January 6, 2006, (the "Grant Date"), the Company also issued a total of 121,233 Restricted Common Shares ("Restricted Shares") to Officers and 13,136 Restricted shares (net of subsequent forfeitures) to certain Employees of the Company. In general, the Restricted Shares carry all the rights of Common Shares including voting and dividend rights, but may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. Vesting with respect to the Restricted Shares issued to Officers, which is subject to the recipients' continued employment with the Company through the applicable vesting dates, is over five years commencing with 30% on the Grant Date and 17.5% on each of the next four anniversaries thereafter. In addition, vesting on 50% of the unvested Restricted Shares is also subject to certain total shareholder returns on the Company's Common Shares. Vesting with respect to the Restricted Shares issued to Employees, which is subject to the recipients' continued employment with the Company through the applicable vesting dates, is over five years commencing with 30% on the Grant Date and 17.5% on each of the next four anniversaries thereafter. In addition, vesting on 25% of the unvested Restricted Shares is also subject to certain total shareholder returns on the Company's Common Shares.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Share Incentive Plan, continued

The total value of the above restricted share awards on the date of grant was \$2.7 million, of which \$2.0 million will be recognized in compensation expense over the vesting period.

On the Grant Date, the Company also issued a total of 224,901 Restricted Shares to Officers and 28,706 Restricted Shares to Employees in connection with a special, one-time performance bonus recognizing management's outstanding achievements in enhancing shareholder values over the previous five years, including, but not limited to, total shareholder return and the recent recapitalization of the Brandywine Portfolio. The Restricted Shares vest over a period of five years. 50% will vest on the third anniversary and 25% will vest on the following two anniversaries of the Grant Date. The total value of this special bonus was \$5.2 million which will be recognized in compensation expense over the vesting period. For the year ended December 31, 2005, 133,468 Restricted Shares (net of forfeitures) were issued pursuant to the 2003 Plan. The total value of the Restricted Share awards on the date of grant was \$2.2 million which will be recognized in expense over the vesting period. No awards of share appreciation rights or performance units/shares were granted for the years ended December 31, 2006, 2005 and 2004.

For the years ended December 31, 2006, 2005 and 2004, \$2.7 million, \$1.0 million, and \$0.8 million, respectively, were recognized in compensation expense related to Restricted Share grants.

The Company has used the Binomial method for 2006 and 2005 and the Black-Scholes option-pricing model for 2004 for purposes of estimating the fair value in determining compensation expense for options granted for the years ended December 31, 2006, 2005 and 2004. The Company has also used this model for the pro forma information regarding net income and earnings per share as required by SFAS No. 123 for options issued for the year ended December 31, 2001 as if the Company had also accounted for these employee stock options under the fair value method. The fair value for the options issued by the Company was estimated at the date of the grant using the following weighted-average assumptions resulting in:

	Years ended December 31,		
	2006	2005	2004
Weighted-average volatility	18.0%	18.0%	18.0%
Expected dividends	3.6%	4.2%	4.2%
Expected life (in years)	7.5	7.5	7.5
Risk-free interest rate	4.4%	4.0%	4.0%
Fair value at date of grant (per option)	\$3.03	\$2.57	\$2.17

A summary of option activity under all option arrangements as of December 31, 2006, and changes during the year then ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (dollars in thousands)
Outstanding at January 1, 2006	477,242	\$ 8.08		
Granted	80,630	21.04		
Exercised	(7,500)	5.75		
Forfeited or Expired	—	—		
Outstanding at December 31, 2006	<u>550,372</u>	<u>\$ 10.01</u>	<u>4.9</u>	<u>\$ 8,260</u>
Exercisable at December 31, 2006	<u>491,239</u>	<u>\$ 8.89</u>	<u>4.4</u>	<u>\$ 7,923</u>

The weighted average grant date fair value of options granted during the years 2006, 2005 and 2004 was \$3.03, \$2.57 and \$2.17, respectively. The total intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 was \$0.1 million, \$0.6 million and \$12.9 million, respectively.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Share Incentive Plan, continued

A summary of the status of the Entity's nonvested Restricted Shares as of December 31, 2006 and changes during the year ended December 31, 2006, is presented below:

Nonvested Shares	Restricted Shares (in thousands)	Weighted Grant-Date Fair Value
Nonvested at January 1, 2006	283	\$ 12.90
Granted	388	20.46
Vested	(121)	20.28
Forfeited	—	—
Nonvested at December 31, 2006	<u>550</u>	<u>\$ 17.27</u>

As of December 31, 2006, there was \$7.0 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.6 years. The total fair value of shares vested during the years ended December 31, 2006, 2005 and 2004, was \$2.5 million, \$1.0 million and \$0.5 million, respectively.

13. Employee Stock Purchase and Deferred Share Plan

In 2003, the Company adopted the Acadia Realty Trust Employee Stock Purchase Plan (the "Purchase Plan"), which allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company's Common Shares on either the first day or the last day of the quarter, whichever is lower. The amount of the payroll deductions will not exceed a percentage of the participant's annual compensation that the Committee establishes from time to time, and a participant may not purchase more than 1,000 Common Shares per quarter. Compensation expense will be recognized by the Company to the extent of the above discount to the average closing price of the Common Shares with respect to the applicable quarter. During 2006, 2005 and 2004, 5,307, 6,412 and 6,397 Common Shares, respectively, were purchased by Employees under the Purchase Plan. Associated compensation expense of \$0.02 million was recorded in each year.

In August of 2004, the Company adopted a Deferral and Distribution Election pursuant to the 1999 Share Incentive Plan and 2003 Share Incentive Plan, whereby the participants elected to defer receipt of 190,487 Common Shares ("Share Units") that would otherwise be issued upon the exercise of certain options. The payment of the option exercise price was made by tendering Common Shares that the participants owned for at least six months prior to the option exercise date. The Share Units are equivalent to a Common Share on a one-for-one basis and carry a dividend equivalent right equal to the dividend rate for the Company's Common shares. The deferral period is determined by each of the participants and generally terminates after the cessation of the participants continuous service with the Company, as defined in the agreement. In December 2004, optionees exercised 346,000 options pursuant to the Deferred Share Election and tendered 155,513 Common Shares in consideration of the option exercise price. In 2004 the Company issued 155,513 Common Shares to optionees and 190,487 Share Units. During 2006 and 2005 there were no additional Share Units contributed to the plan.

14. Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company currently matches 50% of a plan participant's contribution up to 6% of the employee's annual salary. A plan participant may contribute up to a maximum of 15% of their compensation but not in excess of \$0.02 million for the year ended December 31, 2006. The Company contributed \$0.2 million, \$0.1 million and \$0.1 million for the years ended December 31, 2006, 2005 and 2004, respectively.

15. Dividends and Distributions Payable

On December 4, 2006, the Company declared a cash dividend for the quarter ended December 31, 2006 of \$0.20 per Common Share. The dividend was paid on January 15, 2007 to shareholders of record as of December 29, 2006.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Federal Income Taxes

The Company has elected to qualify as a REIT in accordance with the Internal Revenue Code (the "Code") and intends at all times to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual REIT taxable income to its shareholders. As a REIT, the Company generally will not be subject to corporate Federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. As the Company distributed sufficient taxable income for the years ended December 31, 2006, 2005 and 2004, no U.S. Federal income or excise taxes were incurred. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income taxes at the regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even though the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on any undistributed taxable income. In addition, taxable income from non-REIT activities managed through the Company's TRS are subject to Federal, state and local income taxes.

The primary difference between the GAAP and tax reported amounts of the Company's assets and liabilities are a higher GAAP basis in its real estate properties. This is primarily the result of assets acquired as a result of property contributions in exchange for OP Units.

Reconciliation between GAAP net income and Federal taxable income

The following unaudited table reconciles GAAP net income to taxable income for the years ended December 31, 2006, 2005 and 2004:

(dollars in thousands)	<u>2006</u> <u>(Estimated)</u>	<u>2005</u> <u>(Actual)</u>	<u>2004</u> <u>(Actual)</u>
GAAP net income	\$ 39,013	\$ 20,626	\$ 19,585
GAAP net (loss) income of TRS	(405)	1,349	—
GAAP net income from REIT operations (1)	39,418	19,277	19,585
Book/tax difference in depreciation and amortization	5,472	2,817	3,438
Book/tax difference on exercise of options to purchase Common Shares	(224)	(405)	(8,970)
Book/tax difference on capital transactions (2)	(20,974)	(465)	(1,354)
Other book/tax differences, net	2,492	(2,065)	1,953
REIT taxable income before dividends paid deduction	<u>\$ 26,184</u>	<u>\$ 19,159</u>	<u>\$ 14,652</u>

(1) All adjustments to GAAP net income from REIT operations are net of amounts attributable to minority interest and TRS.

(2) Principally the result of the deferral of gain on sale of properties pursuant to Code Section 1031 Like-Kind Exchanges

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Federal Income Taxes, continued**Characterization of Distributions:**

The Company has determined that the cash distributed to the shareholders is characterized as follows for Federal income tax purposes:

	For the years ended December 31,		
	2006	2005	2004
Ordinary income	100%	95%	59%
Section 1250 gain	—	3%	32%
Return of capital	—	2%	9%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Taxable REIT Subsidiaries (“TRS”)

Income taxes have been provided for using the asset and liability method as required by SFAS No. 109. The Company’s combined TRS (loss) income and (benefit) provision for income taxes for the years ended December 31, 2006 and 2005 are summarized as follows:

(dollars in thousands)	2006 (Estimated)	2005 (Actual)
TRS (loss) income before income taxes	\$ (296)	\$ 3,458
Benefit (provision) for income taxes:	—	—
Federal	590	(1,601)
State and local	111	(508)
TRS net income	<u>\$ 405</u>	<u>\$ 1,349</u>

The income tax benefit (provision) differs from the amount computed by applying the statutory federal income tax rate to taxable (loss) income before income taxes as follows:

(dollars in thousands)	2006	2005
Federal benefit (provision) at statutory tax rate	\$ 100	\$ (1,210)
State and local taxes, net of federal benefit	15	(330)
Tax effect of:		
Valuation allowance against deferred tax liability asset	—	(208)
Utilization of loss and deduction carry forwards	—	115
Change in estimate	586	—
REIT State, Local and Franchise taxes	(193)	(507)
Total benefit (provision) for income taxes	<u>\$ 508</u>	<u>\$ (2,140)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Financial Instruments

Fair Value of Financial Instruments:

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" requires disclosure on the fair value of financial instruments. Certain of the Company's assets and liabilities are considered financial instruments. Fair value estimates, methods and assumptions are set forth below.

Cash and Cash Equivalents, Restricted Cash, Cash in Escrow, Rents Receivable, Notes Receivable, Prepaid Expenses, Other Assets, Accounts Payable and Accrued Expenses, Dividends and Distributions Payable, Due to Related Parties and Other Liabilities. The carrying amount of these assets and liabilities approximates fair value due to the short-term nature of such accounts.

Derivative Instruments — The fair value of these instruments is based upon the estimated amounts the Company would receive or pay to terminate the contracts as of December 31, 2006 and 2005 and is determined using interest rate market pricing models.

Mortgage Notes Payable and Notes Payable — As of December 31, 2006 and 2005, the Company has determined the estimated fair value of its mortgage notes payable, including those relating to discontinued operations, are \$439.1 million and \$422.1 million, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated under conditions then existing.

Derivative Financial Instruments:

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

As of December 31, 2006 and 2005, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of December 31, 2006. The notional value does not represent exposure to credit, interest rate or market risks:

Hedge Type (dollars in thousands)	Notional Value	Rate	Forward Start Date	Interest maturity	Fair Value
Current Interest Rate Swaps					
LIBOR Swap	\$ 4,627	4.71%	n/a	01/01/10	\$ 27
LIBOR Swap	11,375	4.90%	n/a	10/01/11	33
Interest rate swap receivable	<u>\$ 16,002</u>				<u>\$ 60</u>
Forward –Starting Interest Rate Swaps					
LIBOR Swap	\$ 8,434	5.14%	6/1/07	3/1/12	\$ (72)
	<u>\$ 8,434</u>				
Interest Rate Caps					
LIBOR Cap	<u>\$ 30,000</u>	6.00%	n/a	4/1/08	<u>2</u>
Net Interest rate swap liability					<u>\$ (10)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Financial Instruments, continued**Derivative Financial Instruments, continued:**

Derivative instruments are reported at fair value as reflected above. The fair value of the derivative instruments is included in Other Assets in the Consolidated Balance Sheets as of December 31, 2006. As of December 31, 2005, the derivative instruments were reported at fair value as a derivative instrument asset of \$0.8 million and derivative instrument liability of \$0.2 million. As of December 31, 2006 and 2005, unrealized losses totaling \$0.2 and \$0.01 million, respectively, represented the fair value of the aforementioned derivatives, of which \$(0.2) million and \$(0.01) million, respectively, were reflected in accumulated other comprehensive loss.

The Company's interest rate hedges are designated as cash flow hedges and hedge the future cash outflows on mortgage debt. Interest rate swaps that convert variable payments to fixed payments, such as those held by the Company, as well as interest rate caps, floors, collars, and forwards are cash flow hedges. The unrealized gains and losses in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to either accumulated other comprehensive income or earnings depending on the type of hedging relationship. For cash flow hedges, offsetting gains and losses are reported in accumulated other comprehensive income. Over time, the unrealized gains and losses held in accumulated other comprehensive income will be reclassified to earnings. This reclassification occurs over the same time period in which the hedged items affect earnings. At December 31, 2006, approximately \$0.4 million is expected to be reclassified to earnings.

18. Earnings Per Common Share

Basic earnings per share was determined by dividing the applicable net income to common shareholders for the year by the weighted average number of Common Shares outstanding during each year consistent with SFAS No. 128. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares or resulted in the issuance of Common Shares that then shared in the earnings of the Company. The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the periods indicated:

	Years ended December 31,		
	2006	2005	2004
(dollars in thousands, except per share amounts)			
Numerator:			
Income from continuing operations – basic earnings per share	\$ 15,794	\$ 19,643	\$ 11,458
Effect of dilutive securities:			
Preferred OP Unit distributions	254	—	—
Numerator for diluted earnings per share	<u>\$ 16,048</u>	<u>\$ 19,643</u>	<u>\$ 11,458</u>
Denominator:			
Weighted average shares – basic earnings per share	32,502	31,949	29,341
Effect of dilutive securities:			
Employee stock options	314	265	571
Convertible Preferred OP Units	337	—	—
Dilutive potential Common Shares	<u>651</u>	<u>265</u>	<u>571</u>
Denominator for diluted earnings per share	<u>33,153</u>	<u>32,214</u>	<u>29,912</u>
Basic earnings per share from continuing operations	<u>\$ 0.49</u>	<u>\$ 0.62</u>	<u>\$ 0.39</u>
Diluted earnings per share from continuing operations	<u>\$ 0.48</u>	<u>\$ 0.61</u>	<u>\$ 0.38</u>

The weighted average shares used in the computation of basic earnings per share include unvested restricted shares (Note 12) and Share Units (Note 13) that are entitled to receive dividend equivalent payments. The effect of the conversion of Common OP Units is not reflected in the above table as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Summary of Quarterly Financial Information (unaudited)

The quarterly results of operations of the Company for the years ended December 31, 2006 and 2005 are as follows:

(dollars in thousands, except per share amount)	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	Total for Year
Revenue	\$ 25,646	\$ 23,944	\$ 26,116	\$ 26,987	\$ 102,693
Income from continuing operations	\$ 3,803	\$ 4,338	\$ 3,748	\$ 3,905	\$ 15,794
Income (loss) from discontinued operations	\$ 550	\$ 510	\$ 374	\$ 21,785	\$ 23,219
Net income	\$ 4,353	\$ 4,848	\$ 4,122	\$ 25,690	\$ 39,013
Net income per Common Share – basic:					
Income from continuing operations	\$ 0.12	\$ 0.14	\$ 0.12	\$ 0.12	\$ 0.49
Income (loss) from discontinued operations	0.01	0.01	0.01	0.67	0.71
Net income	<u>\$ 0.13</u>	<u>\$ 0.15</u>	<u>\$ 0.13</u>	<u>\$ 0.79</u>	<u>\$ 1.20</u>
Net income per Common Share – diluted:					
Income from continuing operations	\$ 0.12	\$ 0.14	\$ 0.12	\$ 0.12	\$ 0.48
Income (loss) from discontinued operations	0.01	0.01	0.01	0.65	0.70
Net income	<u>\$ 0.13</u>	<u>\$ 0.15</u>	<u>\$ 0.13</u>	<u>\$ 0.77</u>	<u>\$ 1.18</u>
Cash dividends declared per Common Share	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.20	\$ 0.755
Weighted average Common Shares outstanding:					
Basic	32,468,204	32,509,360	32,513,398	32,514,803	32,501,602
Diluted	32,766,119	32,810,794	32,836,473	33,186,718	33,152,996

(dollars in thousands, except per share amounts)	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	Total for Year
Revenue	\$ 23,776	\$ 24,298	\$ 27,818	\$ 24,914	\$ 100,806
Income from continuing operations	\$ 4,013	\$ 4,485	\$ 6,714	\$ 4,431	\$ 19,643
Income (loss) from discontinued operations	\$ 432	\$ (140)	\$ 511	\$ 180	\$ 983
Net income	\$ 4,445	\$ 4,345	\$ 7,225	\$ 4,611	\$ 20,626
Net income per Common Share – basic:					
Income from continuing operations	\$ 0.13	\$ 0.14	\$ 0.21	\$ 0.14	\$ 0.62
Income (loss) from discontinued operations	0.01	0.00	0.02	0.00	0.03
Net income	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.65</u>
Net income per Common Share – diluted:					
Income from continuing operations	\$ 0.13	\$ 0.14	\$ 0.20	\$ 0.14	\$ 0.61
Income (loss) from discontinued operations	0.01	0.00	0.02	0.00	0.03
Net income	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ 0.64</u>
Cash dividends declared per Common Share	\$ 0.1725	\$ 0.1725	\$ 0.1725	\$ 0.185	\$ 0.7025
Weighted average Common Shares outstanding:					
Basic	31,867,185	31,898,644	32,008,982	32,017,316	31,948,610
Diluted	32,139,833	32,144,529	32,706,201	32,293,926	32,214,231

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Commitments and Contingencies

Under various Federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, released, manufactured or discharged from, on, at, under, or in a property. As such, the Company may be potentially liable for costs associated with any potential environmental remediation at any of its formerly or currently owned properties.

The Company conducts Phase I environmental reviews with respect to properties it acquires. These reviews include an investigation for the presence of asbestos, underground storage tanks and polychlorinated biphenyls (PCBs). Although such reviews are intended to evaluate the environmental condition of the subject property as well as surrounding properties, there can be no assurance that the review conducted by the Company will be adequate to identify environmental or other problems that may exist. Where a Phase II assessment is so recommended, a Phase II assessment was conducted to further determine the extent of possible environmental contamination. In all instances where a Phase I or II assessment has resulted in specific recommendations for remedial actions, the Company has either taken or scheduled the recommended remedial action. To mitigate unknown risks, the Company has obtained environmental insurance for most of its properties, which covers only unknown environmental risks.

The Company believes that it is in compliance in all material respects with all Federal, state and local ordinances and regulations regarding hazardous or toxic substances. Management is not aware of any environmental liability that it believes would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which the Company would incur significant environmental costs if any or all properties were sold, disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditure will not arise in the future.

For the year ended December 31, 2004, the Company accrued a reserve for \$0.7 million related to flood damage incurred at one of its properties. Under the terms of the Company's insurance policy, a maximum deductible of approximately \$0.7 million would apply in the event the flood damage was the direct result of a "named" storm. During the first quarter of 2005, the Company reduced the reserve by \$0.5 million due to the settlement of the insurance claim.

The Company is involved in various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company's management and counsel are of the opinion that, when such litigation is resolved, the Company's resulting liability, if any, will not have a significant effect on the Company's consolidated financial position or results of operations.

21. Subsequent Events

In February 2007, Klaff converted 3,800 Series B Preferred Units into 296,412 Common OP Units and ultimately into Common Shares.

On January 8, 2007, the Initial Purchasers exercised their option pursuant to the Purchase Agreement to purchase an additional \$15.0 million aggregate principal amount of the Notes. The net proceeds from the sale of the additional Notes, after deducting the Initial Purchasers' discount and estimated offering expenses, were approximately \$14.7 million.

On February 26, 2007 the Company, through its RCP Venture, received a cash distribution totaling approximately \$42.5 million from its ownership position in Albertsons. The Operating Partnership's share of this distribution amounted to approximately \$8.5 million. The distribution resulted from cash proceeds obtained by Albertsons in connection with its disposition of certain operating stores and a refinancing of the remaining assets held in the entity.

ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2006

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction(c)
Shopping Centers									
Crescent Plaza Brockton, MA	\$17,600	\$ 1,147	\$ 7,425	\$ 823	\$ 1,147	\$ 8,248	\$ 9,395	\$ 4,612	1984(a)
New Loudon Center Latham, NY	14,940	505	4,161	10,839	505	15,000	15,505	8,594	1982(a)
Ledgewood Mall Ledgewood, NJ	21,524	619	5,434	33,199	619	38,633	39,252	27,003	1983(a)
Mark Plaza Edwardsville, PA	—	—	4,268	4,690	—	8,958	8,958	5,942	1968(c)
Blackman Plaza Wilkes-Barre, PA	—	120	—	1,599	120	1,599	1,719	637	1968(c)
Plaza 422 Lebanon, PA	—	190	3,004	720	190	3,724	3,914	2,826	1972(c)
Route 6 Mall Honesdale, PA	—	—	—	12,695	1,664	11,031	12,695	4,613	1995(c)
Bartow Avenue Bronx, NY	—	1,691	5,803	330	1,691	6,133	7,824	380	2002(c)
Amboy Rd. Shopping Ctr. Staten Island, NY	—	—	11,909	1,435	—	13,344	13,344	496	2005(a)
Abington Towne Center Abington, PA	—	799	3,197	1,994	799	5,191	5,990	1,420	1998(a)
Bloomfield Town Square Bloomfield Hills, MI	—	3,443	13,774	6,414	3,443	20,188	23,631	4,286	1998(a)
Walnut Hill Plaza Woonsocket, RI	23,500	3,122	12,488	1,242	3,122	13,730	16,852	3,339	1998(a)
Elmwood Park Plaza Elmwood Park, NJ	34,600	3,248	12,992	14,764	3,798	27,206	31,004	6,371	1998(a)
Merrillville Plaza Hobart, IN	12,665	4,288	17,152	1,473	4,288	18,625	22,913	4,270	1998(a)
Marketplace of Absecon Absecon, NJ	—	2,573	10,294	2,465	2,577	12,755	15,332	2,863	1998(a)
Clark Diversey Boonton	3,781	11,303	2,903	—	11,303	2,903	14,206	71	
Chestnut Hill Third Avenue	8,565	3,297	7,611	—	3,297	7,611	10,908	174	
Liberty Avenue Tarrytown Centre	9,997	8,978	5,568	—	8,978	5,568	14,546	69	
Mark Plaza	—	11,108	8,038	—	11,108	8,038	19,146	48	
Acadia Realty L.P.	5,362	—	—	—	—	—	—	—	
Acadia K-H, LLC	—	2,323	7,396	—	2,323	7,396	9,719	409	
Acadia Sterling Heights	—	250	—	—	250	—	250	—	
Acadia Haygood	—	—	1,455	—	—	1,455	1,455	1,169	
Pelham Manor	—	—	50	—	—	50	50	25	
Hobson West Plaza Naperville, IL	—	—	(26)	—	—	(26)	(26)	(0)	
Commons/Smithtown Shopping Center Smithtown, NY	—	—	(103)	—	—	(103)	(103)	(1)	
Town Line Plaza Rocky Hill, CT	—	905	—	—	905	—	905	—	
Branch Shopping Center Village of the Branch, NY	—	1,793	7,172	690	1,793	7,862	9,655	1,928	1998(a)
Shopping Center Smithtown, NY	9,925	3,229	12,917	1,229	3,229	14,146	17,375	3,580	1998(a)
Town Line Plaza Rocky Hill, CT	—	878	3,510	7,176	907	10,657	11,564	6,562	1998(a)
Branch Shopping Center Village of the Branch, NY	16,000	3,156	12,545	653	3,156	13,198	16,354	2,902	1998(a)

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Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction(c)
The Methuen Shopping Center Methuen, MA	—	956	3,826	358	956	4,184	5,140	801	1998(a)
Gateway Shopping Center Burlington, VT	20,500	1,273	5,091	11,536	1,273	16,627	17,900	2,478	1999(a)
Mad River Station Dayton, OH	—	2,350	9,404	546	2,350	9,950	12,300	2,040	1999(a)
Pacesetter Park Shopping Center Ramapo, NY	12,500	1,475	5,899	1,032	1,475	6,931	8,406	1,507	1999(a)
239 Greenwich Greenwich, CT	15,672	1,817	15,846	502	1,817	16,348	18,165	3,172	1999(c)
Residential Properties									
Gate House, Holiday House, Tiger Village Columbia, MO	10,459	2,312	9,247	3,474	2,312	12,721	15,033	3,635	1998(a)
Village Apartments Winston Salem, NC	—	3,429	13,716	2,919	3,429	16,635	20,064	4,378	1998(a)
Colony Apartments Columbia, MO	5,229	1,118	4,470	1,654	1,118	6,124	7,242	1,767	1998(a)
Amherst Marketplace	4,526	1,534	6,144	—	1,534	6,144	7,678	737	2002(a)
Sheffield Crossing	6,744	2,049	7,557	46	2,049	7,603	9,652	849	2002(a)
Granville Center	2,939	2,186	8,744	59	2,186	8,803	10,989	981	2002(a)
Kroger/Safeway	14,764	—	48,938	(48)	—	48,890	48,890	22,430	2003(a)
Various									
400 E. Fordham Road Bronx, NY	18,000	11,144	18,010	902	12,012	18,044	30,056	1,017	2004(a)
4650 Broadway/Sherman Avenue New York, NY	19,000	25,267	—	—	25,267	—	25,267	—	2005(a)
216 th Street New York, NY	6,423	7,313	—	(52)	7,261	—	7,261	—	2005(a)
161 st Street Bronx, NY	30,000	16,679	28,410	181	16,679	28,591	45,270	1,008	2005(a)
Oakbrook Oakbrook, IL	—	—	6,906	17	—	6,923	6,923	683	2005(a)
Undeveloped land	—	—	—	—	—	—	—	—	
Properties under development	—	—	—	26,670	—	26,670	26,670	—	2005(a)
	<u>\$ 345,215</u>	<u>\$ 149,867</u>	<u>\$ 373,145</u>	<u>\$ 154,226</u>	<u>\$ 152,930</u>	<u>\$ 524,308</u>	<u>\$ 677,238</u>	<u>\$ 142,071</u>	

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ACADIA REALTY TRUST
NOTES TO SCHEDULE III

December 31, 2006

1. Depreciation and investments in buildings and improvements reflected in the statements of income is calculated over the estimated useful life of the assets as follows:

Buildings 30 to 40 years Improvements Shorter of lease term or useful life

2. The aggregate gross cost of property included above for Federal income tax purposes was \$352.7 million as of December 31, 2006.

3. (a) Reconciliation of Real Estate Properties:

The following table reconciles the real estate properties from January 1, 2004 to December 31, 2006:

(dollars in thousands)	2006	For the year ended December 31,	
		2005	2004
Balance at beginning of year	\$ 710,106	\$ 599,558	\$ 541,892
Transfers (1)	(131,341)		
Other improvements	28,698	12,700	6,909
Reclassification of tenant improvement activities	—	—	845
Property Acquired	69,775	97,848	49,912
Balance at end of year	<u>\$ 677,238</u>	<u>\$ 710,106</u>	<u>\$ 599,558</u>

(1) Reflects the change in accounting for the Brandywine Portfolio following the recapitalization of the investment in January 2006 (Note 1).

(b) Reconciliation of Accumulated Depreciation:

The following table reconciles accumulated depreciation from January 1, 2004 to December 31, 2006:

(dollars in thousands)	2006	For the year ended December 31,	
		2005	2004
Balance at beginning of year	\$ 127,819	\$ 106,924	\$ 86,337
Reclassification of tenant improvement activities	—	—	660
Depreciation related to real estate	14,252	20,895	19,927
Balance at end of year	<u>\$ 142,071</u>	<u>\$ 127,819</u>	<u>\$ 106,924</u>

AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

dated as of December 19, 2006

between

BANK OF AMERICA, N.A.,
as a Lender and Arranger
("Lender"),

BANK OF AMERICA, N.A.,
as Administrative Agent
("Administrative Agent")

and

RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP ("RD Abington"),
ACADIA TOWN LINE, LLC ("Acadia Town Line"),
RD METHUEN ASSOCIATES LIMITED PARTNERSHIP ("RD Methuen"),
RD ABSECON ASSOCIATES, L.P. ("RD Absecon"),
RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP ("RD Bloomfield"),
RD HOBSON ASSOCIATES, L.P. ("RD Hobson"),

and

RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP ("RD Village"),
as Borrowers

(RD Abington, Acadia Town Line, RD Methuen, RD Absecon, RD Bloomfield,
RD Hobson and RD Village, individually and collectively, as the context requires,
"Borrower")

THIS AMENDED AND RESTATED REVOLVING LOAN AGREEMENT (“this Agreement”) dated as of December 19, 2006 by and among RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership (“RD Abington”), ACADIA TOWN LINE, LLC, a Connecticut limited liability company (“Acadia Town Line”), RD METHUEN ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership (“RD Methuen”), RD ABSECON ASSOCIATES, L.P., a Delaware limited partnership (“RD Absecon”), RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP, a Delaware limited partnership (“RD Bloomfield”), RD HOBSON ASSOCIATES, L.P., a Delaware limited partnership (“RD Hobson”) and RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership (“RD Village”; RD Abington, Acadia Town Line, RD Methuen, RD Absecon, RD Bloomfield, RD Hobson and RD Village, collectively and individually, as the context requires, “Borrower”) and BANK OF AMERICA, N.A. (in its individual capacity and not as Administrative Agent, “BofA”; BofA and each other lender who may become a Lender pursuant to Section 8.07, each, a “Lender” and collectively, “Lenders”) and BANK OF AMERICA, N.A., as Administrative Agent for Lenders (together with its successors in such capacity, “Administrative Agent”).

WHEREAS, pursuant to that certain Revolving Loan Agreement dated as of May 26, 2005 (the “Original Agreement”) by and among RD Absecon, RD Bloomfield, RD Hobson and RD Village (collectively, the “Original Borrowers”) and RD Woonsocket Associates Limited Partnership (“RD Woonsocket”), Fleet National Bank, a Bank of America company (“Fleet”) and The Bank of China, New York Branch (“Bank of China”), Fleet and Bank of China made a loan (the “Original Loan”) to Original Borrowers and RD Woonsocket in the original principal amount of up to \$65,000,000;

WHEREAS, on the date hereof, after giving effect to an Assignment and Assumption from Bank of China to BofA, BofA is the only Lender under the Original Agreement;

WHEREAS, pursuant to that certain Amended and Restated Term Loan Agreement dated as of June 30, 2004 (the “Term Agreement”) by and among Fleet, Heathcote Associates, L.P. (“Acadia Heathcote”), RD Branch Associates, L.P. (“RD Branch”), Acadia Town Line, RD Abington, and RD Methuen (collectively, the “Term Borrowers”), Lender made a loan (the “Term Loan”) to Term Borrowers in the original principal amount of up to \$45,900,000;

WHEREAS, the property owned by RD Woonsocket has been, or will contemporaneously herewith be, released from the liens of the mortgages securing the Original Loan;

WHEREAS, the property owned by Acadia Heathcote has been released from the liens of the mortgages securing the Term Loan;

WHEREAS, BofA is the successor by merger to Fleet;

WHEREAS, the portion of the Term Loan which is secured by the property owned by RD Branch will contemporaneously herewith be severed pursuant to a certain Note Modification and Severance Agreement dated as of the date hereof (the "Severance Agreement") by and between the Term Borrowers and BofA so that such portion of the Term Loan is evidenced by a severed note and secured by a severed mortgage upon which the other Term Borrowers are not obligors;

WHEREAS, RD Woonsocket, Acadia Heathcote and RD Branch shall, as of the date hereof, no longer have any of their property encumbered as collateral for either the Term Loan or the Original Loan, therefore such entities have requested that they be released from liability for the future repayment thereof and Lenders have agreed to so release such entities;

WHEREAS, as of the date hereof the outstanding principal balance of the Original Loan is \$22,000,000 and the outstanding principal balance of the Term Loan, after giving effect to the Severance Agreement and excluding the portion thereof for which solely RD Branch shall hereafter be liable, is \$18,584,535 and, in addition, the Existing Letters of Credit (as hereinafter defined) in the aggregate amount of \$56,600 have been issued and are outstanding; and

WHEREAS, Borrower has requested, and Lenders and Administrative Agent have agreed, subject to the terms and conditions hereof, to consolidate the Original Loan and the Term Loan into a single loan (defined herein as the Loan), increase the maximum principal amount thereof, extend the term thereof and to consolidate, amend and restate the terms of the Original Agreement, the notes executed pursuant to the Original Agreement (the "Original Notes"), the Term Agreement, the note executed pursuant to the Term Agreement (the "Term Note") on the terms and conditions set forth herein and Lenders are prepared to do so on the terms and conditions hereinafter set forth.

Borrower desires that Lenders extend credit as provided herein, and Lenders are prepared to extend such credit. Accordingly, Borrower, Administrative Agent and each Lender agree as follows:

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, Borrower, Administrative Agent and Lenders hereby agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. The following terms, as used in this Agreement, shall have the following meanings:

"Abington/PA Property" — The fee interest in real property located on Old York Road in Abington, Pennsylvania owned by RD Abington.

“Absecon/NJ Property” — The fee interest in real property located at Whitehorse Pike in Absecon, New Jersey owned by RD Absecon.

“Additional Costs” — Has the meaning specified in Section 3.01.

“Additional Interest” — Any and all sums that shall become due and payable by Borrower under the Hedging Agreement.

“Additional Advance” — Has the meaning set forth in Section 4.02 of this Agreement.

“Administration Fee” — Has the meaning specified in Section 6.03.

“Administrative Agent” — Has the meaning specified in the preamble.

“Administrative Agent’s Counsel” — Schiff Hardin LLP, 623 Fifth Avenue, 28th Floor, New York, New York 10022.

“Administrative Agent’s Office” — Administrative Agent’s office located as set forth on its signature page hereof, or such other address in the United States as Administrative Agent may designate by notice to Borrower and Lenders.

“Affiliate” — With respect to any Person (the “first Person”), any other Person (1) which directly or indirectly controls, or is controlled by, or is under common control with the first Person or (2) 10% or more of the beneficial interest in which is directly or indirectly owned or held by the first Person. The term “control” means the possession, directly or indirectly, of the power, alone, to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“Anchors” — Shall mean, with respect to each Property:

- (i) American Stores Properties, Inc., a wholly owned subsidiary of Albertson’s, Inc. (a/k/a Acme), Island Gym/Fitness and Eckerd Corporation with respect to the Absecon/NJ Property;
- (ii) HomeGoods, Inc., Marshalls of MA, Inc., The TJX Companies, Inc., PetCo and OfficeMax North America, Inc. (f/k/a OfficeMax, Inc.) with respect to the Bloomfield/MI Property;
- (iii) Bobak Enterprises and Coldwell Banker, with respect to the Hobson/IL Property;
- (iv) Stop & Shop and Town Line Diner with respect to the Town Line/CT Property;
- (v) Wal-Mart and Demoulas Market, with respect to the Methuen/MA Property; and

(vi) T.J. Maxx, with respect to the Abington/PA Property.

“Applicable Lending Office” — For each Lender and for the portions of the outstanding principal balance under its Note bearing interest at the Prime Based Rate or LIBO Based Rate, as applicable, the lending office of such Lender (or of an Affiliate of such Lender) designated as such on its signature page hereof or in the applicable Assignment and Assumption Agreement, or such other office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent and Borrower as the office by the portions of the outstanding principal balance under its Note bearing interest at the Prime Based Rate or LIBO Based Rate, as applicable, are to be made and maintained.

“Applicable Margin” — With respect to the Prime Based Rate, 1.0% per annum; and with respect to the LIBO Based Rate, 1.25% per annum.

“Assignee” — Has the meaning specified in Section 8.07.

“Assignment and Assumption Agreement” — An Assignment and Assumption Agreement, substantially in the form of EXHIBIT A, pursuant to which a Lender assigns and an Assignee assumes rights and obligations in accordance with Section 11.05.

“Authorization Letter” — The letter in the form of EXHIBIT F.

“Bloomfield/MI Property” — The fee interest in real property located at 2257 South Telegraph Road in Bloomfield, Michigan owned by RD Bloomfield.

“Business Day” — Any day on which commercial banks are not authorized or required to close in New York City; and, whenever such day relates to a LIBOR Amount, an Interest Period with respect to a LIBOR Amount, or notice with respect to a LIBOR Amount, any such day in which dealings in Dollar deposits are also carried out in the London interbank market and banks are also open for business in London.

“Code” — The Internal Revenue Code of 1986.

“Contribution Agreement” — That certain Subordination and Contribution Agreement dated as of the date hereof by and among Administrative Agent and Borrowers.

“Counterparty” — Bank of America, N.A., or any of its Affiliates, in their capacity as a party to the Hedging Agreement, if any, and its successors and assigns in such capacity.

“Default” — Any event or circumstance which, with the giving of notice or the passage of time, or both, would become an Event of Default.

“Default Rate” — A rate per annum equal to (1) with respect to Prime Based Loans, a variable rate 5% above the rate of interest then in effect thereon and (2) with

respect to LIBOR Amounts, a fixed rate 5% above rate(s) of interest in effect thereon at the time of Event of Default until the end of the then current Interest Period therefor and, thereafter, a variable rate 5% above the rate of interest for a Prime Based Loan.

“Delinquency Amount”; “Delinquency Notice”; “Delinquent Lender” — Have the respective meanings specified in Section 7.16.

“Dollars” and “\$” — Lawful money of the United States of America.

“DSC Cap” — Has the meaning set forth in Section 2.04(b) of this Agreement.

“DSC Test” — Has the meaning set forth in Section 6.06 of this Agreement.

“Electing Lender”; “Election Notice”; “Election Period” — Have the respective meanings specified in Section 7.16.

“Eligible Assignee” — An entity which is (i) a commercial bank organized under the Laws of the United States, or any State thereof, and having (x) total assets in excess of \$1,000,000,000 and (y) a combined capital and surplus of at least \$250,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization of Economic Cooperation and Development (“OECD”), or a political subdivision of any such country, and having (x) total assets in excess of \$1,000,000,000 and (y) a combined capital and surplus of at least \$250,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of OECD; (iii) a life insurance company organized under the Laws of any State of the United States, or organized under the laws of any country and licensed as a life insurer by any State within the United States and having admitted assets of at least \$1,000,000,000; or (iv) a nationally recognized investment banking company, or an Affiliate thereof (other than any Person which is directly or indirectly an Affiliate of Borrower or Guarantor, or of any member or partner of Borrower or Guarantor) organized under the Laws of any State of the United States, and licensed or qualified to conduct such business under the Laws of any such State and having (1) total assets of at least \$1,000,000,000 and (2) a net worth of at least \$250,000,000.

“Employee Benefit Plan” — Any employee benefit or other plan established or maintained, or to which contributions have been made, by Borrower or Guarantor.

“ERISA” — The Employee Retirement Income Security Act of 1974, including the rules and regulations promulgated thereunder.

“ERISA Affiliate” — Any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as Borrower and/or Guarantor, or any trade or business which is under common control (within the meaning of Section 414(c) of the Code) with Borrower and/or Guarantor, or

any organization which is required to be treated as a single employer with Borrower and/or Guarantor under Section 414(m) or 414(o) of the Code.

“Event of Default” — Has the meaning given to such term in the Mortgage.

“Existing Letters of Credit” — Collectively, (i) that certain letter of credit no. 68010726 issued by BofA on December 30, 2005 in the reduced amount of \$6,600 for the benefit of New Castle County General Manager, Department of Land Use and (ii) that certain letter of credit no. 68012410 issued by BofA on April 24, 2006 in the amount of \$50,000 for the benefit of The Estate of John W. Rollins, Sr.

“Federal Funds Rate” — For any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions as published by the Federal Reserve Bank of New York for such day or, for any day that is not a banking day in New York City, for the immediately preceding banking day.

“Fiscal Year” — The calendar year or such other annual period as Borrower and Administrative Agent may mutually agree upon.

“Financial Statements” — Statements of the assets, liabilities (direct or contingent), income, expenses and cash flow of Borrower and Guarantor, prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time and consistently applied.

“Fronting Fee” — Has the meaning set forth in Section 8.21 of this Agreement.

“Funding Cap” — \$75,000,000 subject to adjustment, up or down, in accordance with Section 2.04(b), but in no event to exceed \$88,000,000.

“GAAP” — Generally accepted accounting principles in the United States as in effect from time to time, consistently applied.

“Good Faith Contest” — The contest of an item if (1) the item is diligently contested in good faith, and, if appropriate, by proceedings timely instituted, (2) adequate reserves are established with respect to the contested item, (3) during the period of such contest, the enforcement of any contested item is effectively stayed and (4) the failure to pay or comply with the contested item during the period of the contest is not likely to (x) result in a Material Adverse Change or (y) have an adverse effect on the Mortgaged Property under any Mortgage or any part thereof, or on Lenders’ interest therein.

“Governmental Approvals” — Any authorization, consent, approval, license, permit, certification, or exemption of, registration or filing with or report or notice to, any Governmental Authority.

“Governmental Authorities” — The United States, the state in which the Property is located and any political subdivision, agency, department, commission, board, bureau or instrumentality of either of them, including any local authorities, which

exercises jurisdiction over Borrower, Guarantor, the Property or the Improvements.

“Guarantor” — Jointly and severally, Acadia Realty Limited Partnership, a Delaware limited partnership and any other person(s) or entity(ies) who may hereafter become a guarantor of any or all of Borrower’s obligations in respect of the Loan.

“Guaranty” — The guaranty(ies) of all or part of Borrower’s obligations, to be executed by Guarantor.

“Hazardous Materials” — Has the meaning given to such term in the Mortgage.

“Hedging Agreement” — Any ISDA Master Agreement or other documentation with respect to an interest rate hedging transaction entered into by and between any Borrower, as any of the same may be amended, modified or supplemented from time to time, including any and all “confirmations” under any thereof.

“Hobson/IL Property” — The fee interest in real property located at 931 West 75th Street in Naperville, Illinois owned by RD Hobson.

“Improvements” — Shall mean, with respect to the indicated Property: (i) a one story Neighborhood Shopping Center containing 105,093 square feet with respect to the Absecon/NJ Property, (ii) a one story Community Shopping Center containing 229,506 square feet with respect to the Bloomfield/MI Property, (iii) a one story Neighborhood Shopping Center containing 99,042 square feet with respect to the Hobson/IL Property, (iv) a one story neighborhood shopping center containing 129,494 square feet with respect to the Methuen/MA Property, (v) a multi-level shopping center containing 63,889 square feet with respect to the Abington/PA Property, (vi) a one-story neighborhood shopping center containing 206,178 square feet with respect to the Town Line/CT Property and (vii) a two story, 578,706 n.r.s.f./600 unit apartment community with 1,158 surface parking spaces with respect to the Village/NC Property.

“Increase Fee” — Has the meaning set forth in Section 2.04(b) of this Agreement.

“Indemnity” — An agreement from Borrower and Guarantor or, if there is no Guarantor, such other persons or entities as shall be satisfactory to Lender, whereby, among other things, Lender is indemnified regarding Hazardous Materials.

“Individual Loan Commitment” — With respect to each Lender, the amount set forth below opposite the name of such Lender (subject to change in accordance with the terms of this Agreement).

BofA

\$88,000,000

Upon any reduction in the Total Loan Commitment, each Lender's Individual Loan Commitment shall reduce by the Lender's Pro Rata Share of the reduction of the Total Loan Commitment.

"Insolvency Event" — Shall mean the occurrence of any of the Events of Default described in clauses (d) through (h) of the Mortgage.

"Interest Period" — The period during which interest at the LIBO Based Rate, determined as provided in this Agreement, shall be applicable to the LIBO Rate Request Amount in question, provided, however, that each such period shall be either one (1), two (2), three (3) months (or, if available, four (4), or six (6) months or such other periods as Administrative Agent may make available from time to time), which shall be measured from the date specified by Borrower in each LIBO Rate Request for the commencement of the computation of interest at the LIBO Based Rate, to the numerically corresponding day in the calendar month in which such period terminates (or, if there be no numerical correspondent in such month, or if the date selected by Borrower for such commencement is the last Business Day of a calendar month, then the last Business Day of the calendar month in which such period terminates, or if the numerically corresponding day is not a Business Day then the next succeeding Business Day, unless such next succeeding Business Day enters a new calendar month, in which case such period shall end on the next preceding Business Day) and in no event shall any such period extend beyond the Maturity Date.

"Initial Advance" — The first advance of Loan proceeds to be made hereunder.

"Law" — Any federal, state or local law, statute, rule, regulation, ordinance, order, decree, directive, requirement, code, notice of violation or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, determination, consent decree or judgment.

"Lender"; "Lenders" — Has the respective meanings specified in the preamble.

"Lender Reply Period" — Has the meaning specified in Section 8.06.

"Lenders L/C Fee" — Has the meaning set forth in Section 8.21 of this Agreement.

"Letter of Credit" — Has the meaning set forth in Section 8.21 of this Agreement.

"LIBO Based Rate" — With respect to any LIBOR Amount, the rate per annum (expressed as a percentage) determined by Administrative Agent to be equal to the sum of (i) the quotient of the LIBO Rate for the LIBOR Amount and Interest

Period in question divided by [1 minus the Reserve Requirement] (at Administrative Agent's option, rounded up, if necessary, to the nearest 1/100 of 1%) and (ii) the Applicable Margin.

"LIBO Rate" — With respect to any applicable Interest Period, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Administrative Agent from time to time) at approximately 11:00 a.m. London time two (2) Business Days before the commencement of such Interest Period, for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the rate for that Interest Period will be determined by such alternate method as reasonably selected by Administrative Agent.

"LIBO Rate Request" — Borrower's telephonic notice (to be promptly confirmed in writing), to be received by Administrative Agent by 12 Noon (New York time) three (3) Business Days prior to the date specified in the LIBO Rate Request for the commencement of the Interest Period (which specified date must be a Business Day), of (a) its intention to have (i) all or any portion of the Principal Amount which is not then the subject of an Interest Period (other than an Interest Period which is terminating on the Business Day specified in the notice) and/or (ii) all or any portion of any advance of proceeds of the Loan evidenced by the Notes which is to be made on the Business Day specified in such notice, bear interest at the LIBO Based Rate and (b) the Interest Period desired by Borrower in respect of the amount specified, which notice shall be promptly communicated by Administrative Agent to each Lender.

"LIBO Rate Request Amount" — The amount, to be specified by Borrower in each LIBO Rate Request, which Borrower desires bear interest at the LIBO Based Rate and which, at Administrative Agent's option, shall be an integral multiple of \$100,000.

"LIBOR Amount" — All or any portion (as the context requires) of any Lender's Loan which shall accrue interest at the LIBOR Based Rate.

"Liquidity Requirement" — Has the meaning specified in Section 4.01(d)(18).

"Loan" — The loan in the Loan Amount made by Lender to Borrower under this Agreement.

"Loan Allocation" — Shall mean, with respect to the indicated Property: (i) \$13,000,000 for the Absecon/NJ Property, (ii) \$21,000,000 for the Bloomfield/MI Property, (iii) \$10,000,000 for the Hobson/IL Property, (iv) \$7,500,000 for the Abington/PA Property, (v) \$13,000,000 for the Town Line/CT Property, (vi) \$8,500,000 for the Methuen/MA Property and (vii) \$15,000,000 for the Village/NC Property.

“Loan Amount” — **[\$75,000,000 (subject to change in accordance with the terms of this Agreement)].**

“Loan Documents” — This Agreement, the Notes, the Mortgages, the Indemnity, the Authorization Letter, the Solvency Certificate, the Contribution Agreement, Uniform Commercial Code financing statements in respect of the Mortgaged Property and any other collateral given to Lender as security for the Loan, and any other documents which evidence or secure the Loan.

“Loan to Value Cap” — Has the meaning set forth in Section 2.04(b) of this Agreement.

“Loan to Value Test” — Has the meaning set forth in Section 6.06 of this Agreement.

“Major Lease” — Any lease for space in excess of 10,000 square feet of the rentable area of the Improvements.

“Material Adverse Change” means either (1) a material adverse change in the status of the business, results of operations, financial condition, property or prospects of Borrower or (2) any event or occurrence of whatever nature which is likely to (x) have a material adverse effect on the ability of Borrower to perform its obligations under the Loan Documents or (y) create, in the sole and absolute judgment (reasonably exercised) of Lender, a material risk of sale or forfeiture of any of the Mortgaged Property (other than an immaterial portion thereof) under any Mortgage or otherwise materially impair any of the Mortgaged Property under any Mortgage or Lenders’ rights therein.

“Maturity Date” — December 1, 2010 subject to extension in accordance with Section 2.16.

“Maximum Release Price” — Has the meaning set forth in Section 8.18 of this Agreement.

“Methuen/MA Property” — The fee and leasehold interest in real property located at the intersection of Rte. 113 and Interstate 495 in Methuen, Massachusetts owned by RD Methuen.

“Mortgage” — Those certain mortgages (or deeds of trust) made by a Borrower in favor of Administrative Agent dated the date hereof, or as may be described in, and modified by, those certain Mortgage (or Deed of Trust) Modification Agreements, dated the date hereof, by and between a Borrower and Administrative Agent, in all cases to secure the payment and performance of Borrower’s obligations hereunder, under the Note and otherwise in respect of the Loan.

“Mortgaged Property” means, for each Property, the Property, the Improvements thereon and all other property constituting the “Mortgaged Property”, as said quoted term is defined in the applicable Mortgage.

“Multiemployer Plan” — A Plan defined as such in Section 3(37) of ERISA to which contributions have been made by Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

“Net Operating Income”

(a) all revenues from the ownership, use, occupancy, leasing and operation of the Property during the period in question, determined in accordance with GAAP (but adjusted to eliminate the effects of straight-lining of rents and further adjusted to exclude extraordinary and non-recurring sources of income), including all rental and other payments, including, without limitation, base rent, additional rent, promotional revenues, percentage rent and payments for common area maintenance, taxes, insurance and operating expenses and proceeds of rental loss or business interruption service, excluding tenant security deposits collected but not applied to tenants’ obligations, and interest on such deposits;

minus

(b) all expenses in connection with the Property during such period, determined in accordance with GAAP, including insurance premiums, real estate taxes, promotional expenses, maintenance and repair expenses, management fees and any other operational expenses, all as determined in accordance with GAAP, but not including debt service payable under the Loan.

“Net Worth Requirement” — Has the meaning specified in Section 4.01(d)(18).

“Non-Delinquent Lender” — Each Lender other than the Delinquent Lender(s).

“Non-Excluded Taxes” — Has the meaning specified in Section 8.14.

“Note”; “Notes” — Have the respective meanings specified in Section 2.06.

“Obligations” — Each and every obligation, covenant and agreement of Borrower, now or hereafter existing, contained in this Agreement, and any of the other Loan Documents, whether for principal, reimbursement obligations, interest, fees, expenses, indemnities or otherwise, and any amendments or supplements thereto, extensions or renewals thereof or replacements therefor, including, but not limited to, all indebtedness, obligations and liabilities of Borrower to Administrative Agent and any Lender now existing or hereafter incurred under or arising out of or in connection with the Notes, this Agreement, the other Loan Documents, and any documents or instruments executed in connection therewith; in each case whether direct or indirect, joint or several, absolute or contingent, liquidated or unliquidated, now or hereafter existing, renewed or restructured, whether or not from time to time decreased or extinguished and later increased, created or incurred, and including all indebtedness of Borrower, under any instrument now or hereafter evidencing or securing any of the foregoing.

“Outstanding Credit Amount” — Has the meaning set forth in Section 2.01 of this Agreement.

“Participant”; “Participation” — Have the respective meanings specified in Section 8.07.

“Payor” — Has the meaning specified in Section 7.12.

“Pension Plan” — Any employee pension benefit plan within the meaning of Section 3(2) of ERISA with respect to which Borrower, Guarantor or any ERISA Affiliate at any relevant time has liability or an obligation to contribute.

“Person” — An individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity of whatever nature.

“Plan” — Any employee benefit or other plan established or maintained, or to which contributions have been made, by Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA or to which Section 412 of the Code applies.

“Premises Documents” — Has the meaning given to such term in the Mortgage.

“Prime Based Loan” — All or any portion (as the context requires) of a Lender’s Loan which shall accrue interest at a rate determined in relation to the Prime Based Rate.

“Prime Based Rate” — The Applicable Margin plus the greater of (i) the Federal Funds Rate plus 1/2 of 1% per annum or (ii) the prime commercial lending rate as announced from time to time by Administrative Agent at Administrative Agent’s Office (it being understood that said “prime commercial lending rate” is a reference rate and does not necessarily represent the lowest or best rate being charged to customers), each change in said rates to be effective, without notice or demand of any kind, as of the date of such change.

“Principal Amount” — At any time, the aggregate outstanding principal amount of the Notes.

“Property” means, individually and collectively, as the context requires, each of the Absecon/NJ Property, the Bloomfield/MI Property, the Hobson/IL Property, the Village/NC Property, the Abington/PA Property, the Methuen/MA Property and the Town Line/CT Property.

“Pro Rata Share” — With respect to each Lender, the ratio of such Lender’s Individual Loan Commitment to the Loan Amount. As of the date hereof, the Lenders’ respective Pro Rata Shares are as follows:

BofA

100%

“Regulation D” and “Regulation U” — Respectively, Regulation D and Regulation U of the Board of Governors of the Federal Reserve System.

“Regulatory Change” — With respect to any Lender and the charging and collecting of interest at the LIBO Based Rate, any change after the date hereof in federal, state or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Lender under any federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof, excluding any change the effect of which is reflected in a change in the LIBO Based Rate.

“Release Price” — Shall mean, with respect to each Property, an amount equal to the greater of (x) the product of the Loan Allocation Amount for such Property multiplied by 1.15 or (y) 80% of the appraised value of such Property as indicated on the most recent appraisal procured by Lender for such Property.

“Replacement Lender” — Has the meaning set forth in Section 7.20 of this Agreement.

“Required Lenders” — At any time, those Non-Delinquent Lenders having Pro Rata Shares aggregating more than 50%.

“Required Payment” — Has the meaning specified in Section 7.12.

“Requisition” — A written statement by or on behalf of Borrower, in form and substance satisfactory to Administrative Agent, setting forth the amount of the Loan advance requested in each instance and instructions for the payment of the same, and certifying the purpose for which such advance is to be used.

“Reserve Requirement” — With respect to any applicable Interest Period, for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including basic, supplemental, emergency, special and marginal reserves) generally applicable to financial institutions regulated by the Federal Reserve Board comparable in size and type to Lenders, in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on LIBOR Amounts is determined), whether or not Lenders have any Eurocurrency liabilities or such requirement otherwise in fact applies to Lenders. The LIBOR Rate shall be adjusted automatically as of the effective date of each change in the Reserve Requirement

“Solvency Certificate” — A certificate in the form of EXHIBIT G executed by each of the Borrowers.

“Solvent” — When used with respect to any Person, that the fair value of the property of such Person, on a going concern basis, is greater than the total amount of liabilities (including, without limitation, contingent liabilities) of such Person.

“Special Holdback” — \$780,000, provided, however, that the Special Holdback shall be \$0 (zero) if, as and when RD Bloomfield delivers to Administrative Agent an estoppel from Circuit City Stores, Inc. (“CC”) certifying that, pursuant to the lease between RD Bloomfield and CC, CC has accepted occupancy of the demised premises, has opened for business to the public therein and has received all required “Landlord Reimbursements” thereunder and that there is no default under such lease.

“Supplemental Fee Letter” — That certain letter agreement, dated the date hereof, between BofA and Borrower, providing for Borrower’s payment to Administrative Agent and/or BofA on the date hereof and from time to time hereafter certain fees in connection with the Loan, each such fee to be for Administrative Agent’s and/or BofA’s own account.

“Title Insurer” — The issuer(s), approved by Administrative Agent, of the title insurance policy or policies insuring the Mortgage.

“Total Loan Commitment” — An amount equal to (x) the aggregate amount of all Individual Loan Commitments less (y) the Special Holdback.

“Town Line/CT Property” — The fee interest in real property located at 80 Town Line Road, Rocky Hill, Connecticut owned by Acadia Town Line.

“Treasury Rate” — The yield rate (i) on the 10 year U.S. Treasury Security due on or closest to the Maturity Date (as defined in the Note), as such yield rate is reported in the Wall Street Journal on the second Business Day preceding the date of calculation.

“Unrestricted Cash and Cash Equivalents” — The following assets of Guarantor (and Guarantor’s pro rata share thereof with respect to unconsolidated joint ventures in which Guarantor has the power and authority to cause distributions from such joint venture), in each case, not subject to any lien, security interest or restriction: (i) cash, (ii) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than six (6) months from the date of acquisition, (iii) shares of money market funds invested in the securities described in clause (ii) above and (iv) Dollar denominated time deposits or certificates of deposit of any domestic United States commercial bank whose long-term debt is rated at least A by Standard & Poor’s Rating Services, a division of The McGraw-

Hill Companies, Inc. or A2 by Moody's Investors Service, Inc. and having capital and surplus in excess of \$500,000,000.

"Unused Fee" — Has the meaning specified in Section 6.10.

"Unused Fee Rate" — A rate per annum which will vary daily based upon the Outstanding Credit Amount as follows:

Outstanding Credit Amount	Unused Fee Rate
Less than \$50,000,000	0.0150% (15 basis points)
Equal to or greater than \$50,000,000 but equal to or less than \$60,000,000	0.0125% (12.5 basis points)
Greater than \$60,000,000	0.0100% (10 basis points)

"Village/NC Property" — The fee interest in real property located at 240 Village Crossing Lane in Winston-Salem, North Carolina owned by RD Village.

Section 1.02. **Accounting Terms.** All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial data required to be delivered hereunder shall be prepared in accordance with GAAP.

Section 1.03. **Computation of Time Periods.** Except as otherwise provided herein, in this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and words "to" and "until" each means "to but excluding".

Section 1.04. **Rules of Construction.** Except as expressly provided otherwise, when used in this Agreement (i) "or" is not exclusive, (ii) "hereunder", "herein", "hereof" and the like refer to this Agreement as a whole, (iii) "Article", "Section", "Schedule" and "Exhibit" refer to Articles, Sections, Schedules and Exhibits of this Agreement, (iv) terms defined in the singular shall have a correlative meaning when used in the plural and vice versa, (v) a reference to a Law includes any amendment, modification or supplement to, or replacement of, such Law and (vi) a reference to a document shall mean such document as the same may be amended, modified or supplemented from time to time in accordance with its terms. The cover page and the Exhibits and Schedules, if any, annexed hereto are incorporated as a part of this Agreement with the same effect as if set forth in the body hereof. Any table of contents and all captions and headings herein are for convenience only and shall not affect the interpretation or construction hereof.

ARTICLE II

THE LOAN

Section 2.01. **Generally.** Subject to the terms and conditions of this Agreement, each of the Lenders severally agrees to lend to Borrower in an amount up to its Individual

Loan Commitment pursuant to which the Lender shall from time to time advance and re-advance to Borrower an amount equal to its Pro Rata Share of the excess of the Total Loan Commitment over the sum (the "Outstanding Credit Amount") of (1) all previous advances of the Loans which remain unpaid and (2) the outstanding amount of all Letters of Credit. Within the limits set forth herein, Borrower may borrow from time to time under this Section 2.01 and prepay from time to time pursuant to Section 2.13 (subject, however, to the restrictions on prepayment set forth in said Section), and thereafter re-borrow pursuant to this Section 2.01. The Loans may be outstanding as (1) Base Rate Loans, (2) LIBOR Amounts or (3) a combination of the foregoing, as Borrower shall elect and notify Administrative Agent in accordance with Section 2.10. Each Lender's share of the Loan shall be maintained at such Lender's Applicable Lending Office.

Section 2.02. Nature of Lenders' Obligations. The obligations of Lenders under this Agreement are several, and no Lender shall be responsible for the failure of any other Lender to make any advance of the Loan to be made by such other Lender. However, the failure of any Lender to make any advance of the Loan to be made by it hereunder on the date specified therefor shall not relieve any other Lender of its obligation to make any advance of its portion of the Loan specified hereby to be made on such date.

Section 2.03. Purpose. The Loan shall be made for the business purposes of working capital, distributions to Borrower's parent company and repayment of existing debt. Borrower covenants and agrees that in no event shall proceeds of the Loan, or any part thereof, be used, directly or indirectly, for any other purpose, for any illegal purpose or for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or in connection with any hostile acquisition or for any illegal purpose.

Section 2.04. Advances.

(a) The Initial Advance (which has previously been advanced under the Original Agreement and the Term Agreement) is in the amount of \$40,584,535 (prior to any prepayments Borrower may make on the date hereof) and shall be made upon satisfaction of the conditions set forth in Section 4.01. Subsequent advances shall be made no more frequently than once a month thereafter, upon satisfaction of the conditions set forth in Section 4.02. In no event shall Lenders be obligated to make an advance hereunder if the Outstanding Credit Amount of the Loan following such advance (the "Post Advance Amount") would exceed the Funding Cap.

(b) Upon (i) request of Borrower, but not more often than once per calendar quarter, and payment of the Increase Fee (as hereinafter defined) or (ii) the release of any Property in accordance with Section 8.18 or 8.19, Administrative Agent shall recalculate the Funding Cap as of the first day of the month in which Administrative Agent receives such request (or in the case of a Property release, the first day of the month preceding such release) to be the amount equal to the least of (x) 65% of the appraised value of the Mortgaged Property (the "Loan to Value Cap") as determined by an independent appraisal conducted at Borrower's expense by an appraiser selected by Administrative

Agent, which appraisal shall be conclusive as to value absent manifest error or (y) an amount equal to the highest Post Advance Amount at which the current Net Operating Income would equal 130% of debt service on such Post Advance Amount (the "DSC Cap") or (z) \$88,000,000. As a condition to the effectiveness of any and all increases in the Funding Cap, Borrower shall pay to Administrative Agent for the benefit of Lenders, any applicable fee related to such extension as set forth in the Supplemental Fee Letter (the "Increase Fee"). For purposes of determining compliance with the DSC Cap, Net Operating Income shall be calculated using actual figures for the preceding six (6) months and the projected figures for the next succeeding six months and debt service shall be calculated using an interest rate equal to the greater of (a) the actual interest rate; (b) the Treasury Rate plus 225 basis points or (c) an interest rate equal to 8.0% and a (25) year equal payment self liquidating amortization schedule. For purposes of determining the Loan to Value Cap, a new appraisal shall not be required for each redetermination of the Funding Cap provided the appraisal required in connection therewith shall not be more than twelve (12) months old and any required reappraisals shall be made at Borrower's expense. Notwithstanding anything to the contrary contained herein, there shall be no increases in the Funding Cap on or after December 1, 2010.

Section 2.05. Procedure for Advance. Borrower shall submit to Administrative Agent a request for the advance of proceeds of the Loan stating the amount requested and the purpose for which such advance is to be used no later than 10:00 a.m. (New York time) on the date five (5) Business Days, prior to the date the advance is to be made. Administrative Agent, upon its receipt and approval of the request for advance, will so notify all Lenders by facsimile. Not later than 10:00 a.m. (New York time) on the date set for such advance, each Lender shall, through its Applicable Lending Office and subject to the conditions of this Agreement, make the amount to be advanced by it on such day available to Administrative Agent, at Administrative Agent's Office and in immediately available funds for the account of Borrower. The amount so received by Administrative Agent shall, subject to the conditions of this Agreement, be made available to Borrower, in immediately available funds, by Administrative Agent's crediting one or more bank accounts of Borrower or any one or more of them designated by Borrower in its request for advance. Each Advance made pursuant to this Agreement shall be in an amount at least equal to \$1,000,000 and in integral multiples of \$100,000.

Section 2.06. Notes/Joint and Several Liability. The Loan shall be evidenced by notes of Borrower in the form of EXHIBIT D, duly completed and executed by Borrower (one for each Lender in an amount equal to such Lender's Individual Loan Commitment, payable for the account of such Lender's Applicable Lending Office), in an aggregate principal amount equal to the Loan Amount (such notes, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time (including, without limitation, any substitute notes pursuant to Section 8.07), each, a "Note" and collectively, the "Notes"). The Notes shall mature, and all outstanding principal and other sums thereunder shall be paid in full, on the Maturity Date, as the same may be accelerated or extended. All entities which comprise Borrower hereunder shall be jointly and severally liable for all Obligations of Borrower hereunder and under the Notes and other Loan Documents. Each Borrower hereby (i) acknowledges that all of the conditions to funding hereunder are solely for the benefit of

Lenders and Administrative Agent and Administrative Agent and/or Lenders may, in their sole and absolute discretion, waive any condition hereunder to funding any portion of the Loan to Borrower and (ii) agrees that no Borrower shall have any offset or defense to its obligations hereunder or under the other Loan Documents, or any claim whatsoever against Administrative Agent or any Lender, based upon Lenders making any advance of Loan proceeds to any Borrower.

Each Lender is hereby authorized by Borrower to endorse on the schedule attached to the Note held by it, the amount of each advance and each payment of principal received by such Lender for the account of its Applicable Lending Office(s) on account of its Loan, which endorsement shall, in the absence of manifest error, be conclusive as to the outstanding balance of the Loan made by such Lender. The failure by any Lender to make such notations with respect to its Loans or each advance or payment shall not limit or otherwise affect the obligations of Borrower under this Agreement or the Notes.

In case of any loss, theft, destruction or mutilation of any Lender's Note, Borrower shall, upon its receipt of an affidavit of an officer of such Lender as to such loss, theft, destruction or mutilation and an appropriate indemnification, execute and deliver a replacement Note to such Lender in the same principal amount and otherwise of like tenor as the lost, stolen, destroyed or mutilated Note.

Section 2.07. Payments and Distributions; Certain Consequences of Delinquent Lender Status. Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 a.m. (New York time) on the date when due to Administrative Agent at Administrative Agent's Office in immediately available funds. Administrative Agent will thereafter, on the day of its receipt of each such payment, cause to be distributed to each Lender (i) such Lender's appropriate share (based upon the respective outstanding principal amounts of the Notes and the respective rates of interest thereunder) of the payments of principal and interest, and its appropriate share of the payments of other sums, in like funds for the account of such Lender's Applicable Lending Office. Payments by Borrower hereunder or under the Notes or other Loan Documents shall be made without setoff or counterclaim.

Except to the extent otherwise provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest and, if applicable, fees, as the case may be.

Notwithstanding the foregoing provisions of this Section, (i) Administrative Agent shall make no payment to a Delinquent Lender until the Non-Delinquent Lenders have been paid in full all outstanding principal, accrued and unpaid interest and any other sums owing to them under the Loan Documents, it being understood that payments of interest on account of the outstanding principal amount of the Note held by the Delinquent Lender shall be held by Administrative Agent in a non-interest bearing account and not distributed to the Delinquent Lender until such time as all principal,

interest and other sums due to the Non-Delinquent Lenders have been paid in full; (ii) any payments (other than interest, as provided in clause (i) above) which would otherwise be due a Delinquent Lender shall be distributed to the Non-Delinquent Lenders until such time as all principal, interest and other sums due to the Non-Delinquent Lenders have been paid in full (except that any such amounts otherwise due a Delinquent Lender received by Administrative Agent during an Election Period shall be retained by Administrative Agent until the expiration of the Election Period and either paid to the Delinquent Lender, if the delinquency is cured, or paid to the Non-Delinquent Lenders, if the delinquency is not cured); and (iii) Administrative Agent shall deduct, from amounts due (or, in the case of a Delinquent Lender, amounts that would otherwise be payable to such Delinquent Lender being held by Administrative Agent pursuant to clause (i) above) a Lender in default under its obligations under Section 7.05 or the reimbursement provisions of this Section 2.07 regarding interpleader actions, the amount owing by such Lender pursuant to said Section 7.05 or the reimbursement provisions of this Section 2.07 regarding interpleader actions and pay the amount so deducted to itself, the other Lenders, or such other party as is entitled to such amount, as applicable.

If, following such time as all amounts owing under the Loan to the Non-Delinquent Lenders and Administrative Agent have been paid in full, Administrative Agent is holding funds in respect of amounts payable to the Delinquent Lender as provided in the third paragraph of this Section, Administrative Agent shall file an interpleader action in New York State Supreme Court, New York County and shall deposit the funds so held (less a sum equal to Administrative Agent's reasonable fees and expenses in connection with said interpleader action and deposit) with said court and Administrative Agent shall thereupon be relieved of responsibility to any party with respect to the funds deposited. Borrower and each Delinquent Lender hereby jointly and severally agree to reimburse Administrative Agent for all costs and expenses that Administrative Agent may incur in connection with the foregoing interpleader action.

Except as provided above in this Section and in Section 7.16, each Lender's interest in the Loan shall be of equal priority with the interest of each other Lender.

Section 2.08. Interest. Borrower shall have the option, subject to the terms and conditions set forth in this Agreement, of paying interest on the Principal Amount or portions thereof at the Prime Based Rate or the LIBO Based Rate. If Borrower desires the application of the LIBO Based Rate, it shall submit a LIBO Rate Request to Administrative Agent, which LIBO Rate Request shall be irrevocable, subject to Borrower's right to convert the rate of interest payable under the Notes with respect to any LIBOR Amount from the LIBO Based Rate to the Prime Based Rate as provided in Section 2.10. Administrative Agent shall, on the day of its receipt of the LIBO Rate Request from Borrower, notify each Lender by facsimile of the specified LIBOR Amount and the amount of the Lender's portion thereof, the Interest Period and date of commencement thereof, and the interest rate applicable to such LIBOR Amount. Each LIBO Rate Request shall be applicable to the Notes in accordance with the Lenders' respective Pro Rata Shares, so that, barring a conversion or suspension of the LIBO Based Rate by one or more, but not all, Lenders, pursuant to Article III, the outstanding principal amounts of each of the Notes shall contain segments bearing interest at the

Prime Based Rate and/or LIBO Based Rate(s) under particular Interest Period(s), each of which segments shall correspond to a proportional segment of the outstanding principal amount of every other Note. In the event that Borrower fails to submit a LIBO Rate Request with respect to a LIBOR Amount not later than 12 Noon (New York time) three (3) Business Days prior to the last day of the relevant Interest Period, the LIBOR Amount in question shall bear interest, commencing at the end of such Interest Period, at the Prime Based Rate for a one (1) month Interest Period.

Interest shall be computed on an actual/360-day basis (i.e., interest for each day during which any portion of the Principal Amount is bearing interest at a particular interest rate per annum shall be computed at such rate divided by 360).

Borrower shall pay interest on the Principal Amount to Administrative Agent for the account of Lenders. Interest on the Principal Amount shall be payable, in arrears, monthly on the first day of the first month following the Initial Advance and on the first day of each month thereafter until the Notes are repaid in full.

Section 2.09. Limitation on Number of Interest Periods. Borrower shall not have the right to have more than five (5) Interest Periods, in the aggregate, in respect of the Loan in effect at any one time, whether or not any portion of the Principal Amount is then bearing interest at the Prime Based Rate.

Section 2.10. Conversions of Interest Rate. Provided there exists no Event of Default, Borrower shall have the right to convert, from time to time, the rate of interest payable under the Notes with respect to any portion of the Principal Amount to the LIBO Based Rate or the Prime Based Rate, subject to the terms of this Agreement (including, without limitation, the payment of all amounts due in connection with any such conversion from the LIBO Based Rate on a date other than the last day of an applicable Interest Period) and provided that, in the case of a conversion from the LIBO Based Rate, the entire LIBOR Amount is the subject of the conversion. Conversions shall be accomplished (i) in the case of a conversion from the Prime Based Rate to the LIBO Based Rate, by Borrower's submission of a LIBO Rate Request in accordance with Section 2.08 or (ii) in the case of a conversion from the LIBO Based Rate to the Prime Based Rate, by Borrower's request to Administrative Agent by telephone (to be promptly confirmed in writing), to be received by Administrative Agent at least three (3) Business Days prior to the date specified for such conversion, specifying the LIBOR Amount with respect to which the interest rate is to be converted and the date of the conversion. With respect to any portion of the Principal Amount subject to the LIBO Based Rate, Borrower shall not have the right to convert from one Interest Period to another other than the last day of an applicable Interest Period. On the date of its receipt of such request, Administrative Agent shall notify each Lender thereof either by telephone or by facsimile.

Section 2.11. Inapplicability of LIBO Based Rate. Any portion of the Principal Amount to which the LIBO Based Rate is not or cannot pursuant to the terms of this Agreement be applicable shall bear interest at the Prime Based Rate. Upon the occurrence of an Event of Default, the entire Principal Amount shall, at the option of the

Required Lenders, immediately and without notice to Borrower, bear interest at the Prime Based Rate. In addition, following the occurrence of an Event of Default, Borrower shall have no right to submit a LIBO Rate Request with respect to any LIBOR Amount for which the current Interest Period is expiring. The foregoing provisions shall not be construed as a waiver by Lenders of their right to pursue any other remedies available to them under the Mortgage or any other Loan Document nor shall they be construed to limit in any way the application of the Default Rate as provided in the Mortgage.

Section 2.12. Late Payment Premium. Borrower shall pay to Administrative Agent for the account of Lenders a late payment premium in the amount of 5% of any payments of principal or interest under the Loan made more than ten (10) days after the due date thereof, which late payment premium shall be due with any such late payment.

Section 2.13. Voluntary Prepayments. Borrower may, upon at least five (5) Business Days' notice (which notice shall be irrevocable) to Administrative Agent, prepay the Principal Amount, in whole or part, without premium or penalty; provided, however, that (i) any partial prepayment under this Section shall be in a principal amount of not less than \$1,000,000 and an integral multiple of \$100,000, (ii) prepayment of a LIBOR Amount other than on the last day of the applicable Interest Period shall be subject to the provisions of Section 3.03 and (iii) each prepayment under this Section shall include all interest accrued on the amount of principal prepaid (and all late charges and other sums that may be payable) through the date of prepayment.

Section 2.14. Annual Commitment Reduction/Required Amortization. Commencing on the first day of December, 2007 and on the first day of each December thereafter until the Maturity Date both the Loan Amount and the Total Loan Commitment shall reduce by the amount set forth on Schedule A attached hereto and, to the extent the Loan Amount as so reduced would exceed the Outstanding Credit Amount, Borrower shall, on the date of reduction make a mandatory principal payment (or at Administrative Agent's option deliver cash collateral for any Letter of Credit outstanding) in the amount of such excess such that, at no time, shall the Outstanding Credit Amount (excluding any portion of a Letter of Credit which is secured by cash collateral) exceed the Loan Amount as reduced from time to time. After any release of a Property, in accordance with Section 8.18 or otherwise, Administrative Agent shall recalculate the required annual amortization payments due hereunder in accordance with a constant annual payment mortgage schedule based on the Funding Cap at such time and an assumed interest rate of 8% per annum, which would fully amortize over a term equal to (x) twenty-five (25) years less (y) the number of full twelve (12) month periods elapsed since the date hereof. Administrative Agent shall provide Borrower with a schedule of such recalculated amortization payment schedule upon request and such schedule shall be final and binding upon Borrower absent manifest error.

Section 2.15. Nature of Lenders' Obligations; Borrower's Rights and Obligations in Event a Lender Fails to Make an Advance. The obligations of Lenders under this Agreement are several, and no Lender shall be responsible for the failure of any other Lender to fund the portion required to be funded by such other Lender of an advance of the Loan.

Section 2.16. Extension of Maturity.

(a) Borrower shall have the right to extend the Maturity Date for a period of one (1) year, to December 1, 2011 (the "First Extension Term"), upon satisfaction of the following conditions: (i) Borrower shall give notice to Administrative Agent of Borrower's election to so extend the Maturity Date no later than thirty (30) days prior to the original Maturity Date and no earlier than ninety (90) days prior to the original Maturity Date, (ii) no Default or Event of Default exists at either the time Borrowers gives notice of its exercise of such extension option or as of the original Maturity Date, (iii) with Borrower's notice exercising such extension option, Borrower shall pay to BofA the extension fee required pursuant to the Supplemental Fee Letter, which fee shall be earned by BofA upon receipt and (iv) without limiting the generality of the foregoing, Borrower shall be in compliance with Section 6.06.

(b) Provided that Borrower has extended the Maturity Date in accordance with the terms of Section 2.16(a), Borrowers shall have the right to further extend the Maturity Date for an additional period of one (1) year, to December 1, 2012 (the "Second Extension Term"), upon satisfaction of the following conditions: (i) Borrower shall give notice to Administrative Agent of Borrower's election to so extend the Maturity Date no later than thirty (30) days prior to the Maturity Date as extended by the First Extension Term and no earlier than ninety (90) days prior to the Maturity Date as extended by the First Extension Term, (ii) no Default or Event of Default exists at either the time Borrowers give notice of its exercise of such extension option or as of the Maturity Date, as extended by the First Extension Term, (iii) with Borrower's notice exercising such extension option, Borrower shall pay to BofA the extension fee required pursuant to the Supplemental Fee Letter, which fee shall be earned by BofA upon receipt and (iv) without limiting the generality of the foregoing, Borrower shall be in compliance with Section 6.06.

ARTICLE III

YIELD MAINTENANCE ETC.

Section 3.01. Additional Costs and Other Effects of Regulatory Changes; Taxes. Borrower shall pay directly to a Lender, promptly upon demand, such amounts as are necessary to compensate such Lender for Additional Costs resulting from any Regulatory Change which (i) subjects such Lender to any tax, duty or other charge with respect to the Loan or its Note, or changes the basis of taxation of any amounts payable to such Lender under the Loan or its Note (other than taxes imposed on the overall net income of such Lender or of its Applicable Lending Office by the jurisdiction in which such Lender's principal office or such Applicable Lending Office is located), (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender, (iii) imposes on such Lender or, in the case of LIBOR Amounts, on the London interbank market, any other condition affecting the Loan or its Note, or any of such extensions of credit or liabilities or (iv) imposes any capital adequacy requirements on such Lender by virtue of the Loan or the Notes. Such Lender will notify Borrower (with

a copy to Administrative Agent) of any event occurring after the date hereof which would entitle it to compensation pursuant to this paragraph as promptly as practicable after it obtains knowledge thereof and determines to request such compensation, and will designate a different Applicable Lending Office for those portions of the Loan affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in such Lender's sole opinion, be disadvantageous to it, provided that such Lender shall have no obligation to so designate an Applicable Lending Office located in the United States.

Without limiting the effect of the immediately preceding paragraph, in the event that, by reason of any Regulatory Change, (i) a Lender incurs Additional Costs based on or measured by the excess above a specified level of the amount of (1) a category of deposits or other liabilities of such Lender which includes deposits by reference to which the LIBO Rate is determined as provided in this Agreement and/or (2) a category of extensions of credit or other assets of such Lender which includes loans the interest on which is determined on the basis of rates referred to in the definition of "LIBO Rate" in Section 1.01, (ii) a Lender becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold or (iii) it shall be unlawful or impossible for a Lender to make or maintain its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate, then such Lender's obligation to make or maintain its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate (and Borrower's right to request the same) shall be suspended and such Lender shall give notice thereof to Borrower (with a copy to Administrative Agent) and, upon the giving of such notice, interest payable on the affected Note shall be converted to the Prime Based Rate, unless such Lender may lawfully continue to maintain its Pro Rata Share of the Loan (or any portion thereof) then bearing interest at the LIBO Based Rate to the end of the current Interest Period(s), at which time the interest rate on the affected Note shall convert to the Prime Based Rate. If subsequent to any conversion to the Prime Based Rate as provided above such Lender determines that such Regulatory Change has ceased to be in effect, such Lender will so notify Borrower (with a copy to Administrative Agent), and Borrower may convert the rate of interest payable under the affected Note with respect to those portions of the Principal Amount bearing interest at the Prime Based Rate to the LIBO Based Rate by submitting a LIBO Rate Request in respect thereof and otherwise complying with the provisions of this Agreement with respect thereto.

Determinations by each Lender of the existence or effect of any Regulatory Change on its costs of making or maintaining its Pro Rate Share of the Loan, or portions thereof, at the LIBO Based Rate, or on amounts receivable by it in respect thereof, and of the additional amounts required to compensate such Lender in respect of Additional Costs, shall be conclusive, so long as made on a reasonable basis.

Section 3.02. Limitations on Availability of LIBO Based Rate. Anything herein to the contrary notwithstanding, if, at the time of or prior to the determination of the LIBO Based Rate in respect of any LIBO Rate Request Amount as provided in this Agreement, (i) Administrative Agent determines (which determination shall be conclusive, so long as made on a reasonable basis) that by reason of circumstances affecting the London interbank market generally, adequate and fair means do not or will

not exist for determining the LIBO Rate applicable to an Interest Period or (ii) a Lender determines (which determination shall be conclusive, so long as made on a reasonable basis) that the LIBO Rate will not accurately reflect the cost to such Lender of making or maintaining its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate, then Administrative Agent, in the case of the circumstances described in clause (i) above, or such Lender, in the case of the circumstances described in clause (ii) above, shall give Borrower prompt notice thereof (with a copy to Administrative Agent in the case of the notice from such Lender), and the LIBO Rate Request Amount in question, in the case of the circumstances described in clause (i) above, or such Lender's portion thereof, in the case of the circumstances described in clause (ii) above, shall bear interest, or continue to bear interest, as the case may be, at the Prime Based Rate. If at any time subsequent to Administrative Agent's or such Lender's giving of such notice, Administrative Agent or such Lender, as the case may be, determines that because of a change in circumstances the LIBO Based Rate is again available to Borrower, Administrative Agent or such Lender, as the case may be, shall so notify Borrower (with a copy to Administrative Agent, in the case of the notice from such Lender) and Borrower may convert the rate of interest payable under the Notes or such Lender's Note, as the case may be, from the Prime Based Rate to the LIBO Based Rate by submitting a LIBO Rate Request in respect thereof and otherwise complying with the provisions of this Agreement with respect thereto.

Section 3.03. Certain Compensation. Borrower shall pay directly to a Lender, immediately upon request and notwithstanding contrary provisions contained in the Mortgage or other Loan Documents, such amounts as shall, in the judgment of such Lender (which shall be conclusive so long as made on a reasonable basis), compensate it for any loss, cost or expense incurred by it as a result of (i) any payment or prepayment (under any circumstances whatsoever, whether voluntary or involuntary) of any portion of the Principal Amount bearing interest at the LIBO Based Rate on a date other than the last day of an applicable Interest Period, (ii) the conversion (for any reason whatsoever, whether voluntary or involuntary) of the rate of interest payable under such Lender's Note from the LIBO Based Rate to the Prime Based Rate with respect to any portion of the Principal Amount then bearing interest at the LIBO Based Rate on a date other than the last day of an applicable Interest Period, (iii) the failure of all or a portion of an advance of the Loan which was to have borne interest at the LIBO Based Rate pursuant to a LIBO Rate Request to be made, (iv) any failure by Borrower to prepay any portion of the Principal Amount bearing interest at the LIBO Based Rate on the date specified in Borrower's notice of prepayment or (v) the failure of Borrower to borrow, continue or convert in accordance with a LIBO Rate Request submitted by it, which amounts shall include, without limitation, an amount equal the Present Value (determined as hereinafter provided) of the dollar amount which is obtained by multiplying the number of days from the date of the occurrence to the last day of the applicable Interest Period by a number which is calculated by (i) multiplying the amount prepaid, converted, not advanced, not prepaid or not borrowed, as the case may be, by the excess of the LIBO Based Rate applicable thereto over the current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the last day of the applicable Interest Period and (ii) dividing the product thereof by 360. For purposes of this Section, Present Value shall be determined by using the number of

days during the period from the date of occurrence to and including the last day of the applicable Interest Period and using the above-referenced United States Treasury security rate. A determination by a Lender as to the amounts payable to it pursuant to this Section shall be conclusive absent manifest error.

Section 3.04. “Lender” to Include Participants. For purposes of this Article III and of the definition of “Additional Costs” in Section 1.01, the term “Lender” shall, at each Lender’s option, be deemed to include such Lender’s present and future Participants in the Loan to the extent of each such Participant’s actual Additional Costs or other losses, costs or expenses payable pursuant to this Article III.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01. Conditions Precedent to Loan. Lenders shall not be obligated to make the Initial Advance until the following conditions shall have been satisfied:

(a) There shall exist no Default or Event of Default, and no Default or Event of Default would result from the making of the Loan;

(b) The representations and warranties made to Administrative Agent or Lenders herein, in the other Loan Documents and in any other document, certificate or statement executed or delivered to Administrative Agent or Lenders in connection with the Loan shall be true and correct on and as of the date of the advance of the Loan with the same effect as if made on such date;

(c) The Improvements shall not have been materially injured or damaged by fire or other casualty; and

(d) Lenders shall have received and approved each of the following:

(1) Loan Fees and Expenses. (i) Those fees required by the Supplemental Fee Letter to be paid on or before the date hereof, to be retained by Administrative Agent and/or BofA of its own account (without credit for any amounts paid under existing credit facilities refinanced hereby) to be retained by BofA whether or not any advances are made hereunder, (ii) the first payment of the Administration Fee required by Section 6.03 to be paid to Administrative Agent for its own account and (iii) all fees and expenses incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of Administrative Agent’s Counsel, Lenders’ environmental and insurance consultants, and the preparer of the appraisal required by paragraph (4) below);

(2) Loan Documents. This Agreement and each of the other Loan Documents, duly executed by the parties thereto, and, where applicable, duly acknowledged and in proper form for recording or filing,

as the case may be, and all necessary or desirable recordings and filings shall have been duly made;

(3) Financial Statements. Current Financial Statements and such other financial data (including, without limitation, current financial statements of tenants under leases in respect of the Mortgaged Property and of parties to any of the Premises Documents, and of the guarantor(s), if any, of any such tenants or parties) as Administrative Agent shall require;

(4) Appraisal. An independent M.A.I. appraisal of the Property and Improvements complying in all respects with the standards for real estate appraisals established pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989;

(5) Insurance Policies. The policies of insurance required by the Mortgage, together with evidence of the payment of the premiums therefor;

(6) Hazardous Materials Report/Reliance Letter. A detailed report by a properly qualified engineer, which shall include, inter alia, a certification that such engineer has obtained and examined a list of prior owners, tenants and other users of all or any portion of the Property or any improvements thereon, and has made an on-site physical examination of the Property, and a visual observation of the surrounding areas, and has found no evidence of past or present Hazardous Materials activities or the presence of Hazardous Materials, together with, if required by Administrative Agent, a "reliance letter" addressed to Administrative Agent with respect to such report;

(7) Title Policy. A paid title insurance policy, in the amount of the Loan Allocation for each property in ALTA 10-17-92 or other form approved by Administrative Agent's Counsel with such endorsements as shall be reasonably requested by Administrative Agent's Counsel (including "tie-in" endorsements aggregating liability under such policies to the extent permitted by Law), issued by the Title Insurer which shall insure the Mortgage to be a valid lien on Borrower's interest in the premises free and clear of all defects and encumbrances except those previously received and approved by Administrative Agent's Counsel, and shall contain (i) full coverage against mechanics' liens (filed and inchoate), (ii) a reference to the survey but no survey exceptions except those theretofore approved by Administrative Agent's Counsel, (iii) such affirmative insurance and endorsements as Administrative Agent's Counsel may require, and (iv) if any such policy is dated earlier than the date of the disbursement of the Loan, an endorsement to such policy, in form approved by Administrative Agent's Counsel, redating the policy and setting forth no additional exceptions except those approved by

Administrative Agent's Counsel; and shall be accompanied by such reinsurance agreements between the Title Insurer and title companies approved by Lender, in ALTA 1994 facultative form, as Lender may require;

(8) Survey. A current ALTA/ACSM, as-built survey of the Property, certified to Lender and the Title Insurer showing (i) the location of the perimeter of the Property by courses and distances, (ii) all easements, rights-of-way, and utility lines referred to in the title policy required by this Agreement or which actually service or cross the Property (with instrument, book and page number indicated), (iii) the lines of the streets abutting the Property and the width thereof, and any established building lines (and that such roads have been dedicated for public use and are completed and have been accepted by all required Governmental Authorities), (iv) any encroachments and the extent thereof upon the Property, (v) locations of all portions (with the acreage thereof also identified) of the Property, if any, which are located in an area designated as a "flood prone area" as defined by U.S. Department of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 and (vi) the Improvements, and the relationship thereof by distances to the perimeter of the Property, established building, setback and street lines and (vi) if the Property is described as being on a filed map, a legend relating the survey to said map;

(9) Leases and Premises Documents. Certified copies of all leases in respect of the Mortgaged Property, accompanied by, in the case of Anchors and any other leases specified by Administrative Agent, estoppel certificates from the tenants thereunder and executed notice-of-assignment letters in the form of EXHIBIT B in respect thereof; executed subordination and attornment agreements, in Administrative Agent's usual form, in respect of such leases as Administrative Agent may require; a certified copy of the standard form of lease or contract of sale, as the case may be, Borrower will use in connection with the leasing of space in the Improvements or the sale of portions of the Property; certified copies of all Premises Documents, together with estoppel certificates from the parties thereto and a certified current rent roll for the Improvements;

(10) Requisition. A Requisition for the Initial Advance,

(11) Counsel Opinions. Opinions of Borrower's counsel and local counsel (and, if required by Lender, of a local counsel selected by Lender or Administrative Agent's Counsel) to the effects set forth on EXHIBIT C; Borrower hereby acknowledges that each of its counsel delivering opinion letters to Administrative Agent on or about the date hereof has been requested and directed by Borrower to do so;

(12) Organizational Documents. If Borrower, the mortgagor or grantor under any Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, current copies of the following documents with respect to each (unless otherwise indicated):

(i) a good-standing certificate from the jurisdiction of its incorporation and, as to Borrower and the mortgagor or grantor under the Mortgage only, from the jurisdiction in which the Property is located,

(ii) a resolution, certified by the corporate secretary, of the shareholders or directors of the corporation authorizing the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Loan Documents and any other documents to be executed, delivered or performed by said corporation (including any substitute or replacement Notes to be executed and delivered pursuant to the terms hereof), and

(iii) a certificate of the corporate secretary as to the incumbency of the officers executing any of the documents required hereby,

and, if Borrower, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a partnership, venture, limited liability company or trust:

(iv) the entity's organizational agreement and all amendments and attachments thereto, certified by a general partner, venturer, member or trustee to be true and complete,

(v) any certificates filed or required to be filed by the entity in the jurisdictions of its formation and where the Property is located in order for it to do business in those jurisdictions, and

(vi) evidence of the authorization of the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Loan Documents and any other documents to be executed, delivered or performed by said entity (including any substitute or replacement notes to be executed and delivered pursuant to the terms hereof), and including any required consents by partners, venturers, members, trustees or beneficiaries;

(13) Management and Leasing Contracts. Copies, certified to be true and complete, of all existing contracts providing for the management, maintenance, operation or leasing of the Property and Improvements, together with, in each case, such collateral assignments or "will-serve" letters as Administrative Agent may require;

(14) Permits and Approvals. Copies of the certificate(s) of occupancy for the Improvements and of any and all other authorizations (including plot plan and subdivision approvals, zoning variances, water, sewer, building and other permits) required by Governmental Authorities or otherwise necessary for the use, occupancy and operation of the Property and/or Improvements for their intended purposes in accordance with all applicable Laws;

(15) Intentionally Omitted;

(16) Chattel Searches. UCC searches against Borrower or other owner of the Mortgaged Property and advice from the Title Insurer to the effect that searches of proper public records disclose no leases of personalty or financing statements filed or recorded against the Mortgaged Property, Borrower or other owner of any Mortgaged Property;

(17) Intentionally Omitted; and

(18) Additional Documentation. Such other approvals, opinions or documents as Lender may reasonably request including, but not limited to, (i) a current certified rent roll for the Mortgaged Property and tenant estoppel letters for all Anchors, (ii) ground lessor estoppel certificates from the ground lessor with respect to any ground leases encumbered by the Mortgage and (iii) current financial statements of Guarantor showing a minimum net worth of \$100,000,000 (the "Net Worth Requirement") and a minimum Unrestricted Cash and Cash Equivalents of \$10,000,000 (the "Liquidity Requirement").

Section 4.02. Conditions to Advances After the Initial Advance. In addition to the Initial Advance, an amount of Loan proceeds (each such advance, an "Additional Advance") shall be made available to Borrower subject to the satisfaction of the following conditions:

(a) Subject to the limitations set forth in Section 2.04 and Section 4.02(h) with respect to any Additional Advance, the amount of each Additional Advance subsequent to the Initial Advance shall be in the minimum amount of \$100,000 (unless less than said amount is available for disbursement pursuant to the terms hereof at the time of such Additional Advance, in which case the amount of such subsequent advance shall be equal to such remaining availability).

(b) All conditions of Section 4.01 shall have been and remain satisfied as of the date of such advances;

(c) There shall exist no Default or Event of Default;

(d) The representations and warranties made to Administrative Agent and Lenders herein, in the other Loan Documents and in any other document, certificate or statement executed or delivered to Administrative Agent or Lenders

in connection with the Loan shall be true and correct on and as of the date of the advance with the same effect as if made on such date (except for the updated rent roll);

(e) Lender shall have received a Requisition, and, if required, a title continuation report;

(f) There shall have occurred no material adverse change in the condition or value of the "Mortgaged Property", as defined in the Mortgage;

(g) Mortgagor shall furnish Administrative Agent with a statement, duly acknowledged, of the amount due whether for principal or interest, on the Loan and whether any offsets, counterclaims or defenses exist against the indebtedness secured hereby; and

(h) The aggregate outstanding proceeds of the Loan, including the amount of the advance being requested, shall not exceed the amount necessary to satisfy the Loan to Value Test and the DSC Test for Additional Advances.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Borrower and Guarantor represent and warrant to Administrative Agent and Lenders that:

Section 5.01. Due Formation, Power and Authority. If it, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation, is qualified to do business (if required) and is in good standing in the jurisdiction in which the Property is located, and has full power and authority to consummate the transactions contemplated hereby and to execute, deliver and perform this Agreement and any other Loan Document to which it is a party.

Section 5.02. Legally Enforceable Agreements. Each Loan Document to which Borrower or Guarantor is a party is a legal, valid and binding obligation of such party, enforceable against Borrower or Guarantor, as the case may be, in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar Laws affecting creditors' rights generally.

Section 5.03. Financial Statements. Financial Statements have been heretofore delivered to Lenders which are true, correct and current in all respects and which fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof; no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no borrowings (other than the

Loan) which might give rise to a lien or claim against the Mortgaged Property or proceeds of the Loan have been made by Borrower or others since the dates thereof.

Section 5.04. Compliance With Laws; Payment of Taxes. Borrower and Guarantor are in compliance with, and the transactions contemplated hereby and by the other Loan Documents do not and will not violate any provision of, or require any filing, registration, consent or approval under, any Law presently in effect having applicability to Borrower or Guarantor; Borrower has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies due and payable (including those in respect of the Mortgaged Property), including interest and penalties.

Section 5.05. Litigation. There are no actions, suits or proceedings pending or threatened against or affecting it, Guarantor, the Mortgaged Property, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Administrative Agent and Lenders in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become payable under the Notes or Guaranty or to otherwise pay and perform their respective obligations in connection with the Loan; to Borrower's knowledge, neither it nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

Section 5.06. No Conflicts or Defaults. The consummation of the transactions contemplated hereby and the performance hereof and of the other Loan Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which either of them may be bound or affected.

Section 5.07. Solvency. Borrower and Guarantor are, and upon consummation of the transactions contemplated by this Agreement, the other Loan Documents and any other related documents, will be, Solvent.

Section 5.08. Governmental Regulation. Borrower is not subject to regulation under the Investment Company Act of 1940 or any Law limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.09. Insurance. Borrower has in force, and has paid the premiums in respect of, all of the insurance required by the Mortgage.

Section 5.10. ERISA. Neither Borrower nor Guarantor nor any other Person, including any fiduciary, has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) which could subject Borrower or Guarantor or any Person whom they have an obligation to indemnify to any tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA; neither Borrower nor

Guarantor nor any ERISA Affiliate maintains, contributes to or has any liability with respect to a Multiemployer Plan or any other plan subject to Title IV of ERISA; each Employee Benefit Plan is administered in accordance with its terms and in compliance with all applicable Laws, including any reporting requirements; each Pension Plan intending to qualify under Section 401(a) or 401(k) of the Code does so qualify; there is no lien outstanding or security interest given in connection with a Pension Plan; neither Borrower nor Guarantor nor any ERISA Affiliate has any liability with respect to an accumulated funding deficiency (whether or not waived) under Section 412 of the Code or Section 302 of ERISA; neither Borrower nor Guarantor has any liability for retiree medical or death benefits (contingent or otherwise) other than as required by Section 4980B of the Code; and no part of the funds to be used by Borrower or Guarantor in satisfaction of their respective obligations under this Agreement and the other Loan Documents constitute "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the United States Department of Labor in rules, regulations, releases or bulletins or as interpreted under applicable case law.

Section 5.11. Other Documents. The Major Leases and Premises Documents are unmodified and in full force and effect, there are no defaults (or events which with notice or the passage of time, or both, would constitute such a default) under any thereof and all conditions to the effectiveness and continuing effectiveness thereof required to be satisfied as of the date hereof have been satisfied.

Section 5.12. No Defaults. There exists no Default or Event of Default.

Section 5.13. Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower or Guarantor to Lender in connection with the negotiation of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby, or required herein or by the other Loan Documents to be furnished by or on behalf of Borrower or Guarantor, contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading; there is no fact which Borrower has not disclosed to Administrative Agent and Lenders in writing which materially affects adversely nor, so far as Borrower can now foresee, will materially affect adversely any of the Mortgaged Property or the business affairs or financial condition of Borrower or Guarantor, or the ability of Borrower or Guarantor to perform this Agreement and the other Loan Documents.

Section 5.14. Separate Tax and Zoning Lot. Each Mortgaged Property constitutes a distinct parcel for purposes of zoning and of taxes, assessments and impositions (public or private) and are not otherwise considered as part of a larger single lot for purposes of zoning or of taxes, assessments or impositions (public or private).

Section 5.15. The Improvements. There are no structural defects in the Improvements or violations of any requirement of any Governmental Authorities with respect thereto; the use, occupancy and operation of the Improvements comply with all

applicable permits and restrictive covenants affecting the Mortgaged Property, as well as with the Premises Documents and with all zoning, building, environmental, ecological, landmark, subdivision and other Laws, and all requirements for such use, occupancy and operation have been satisfied; there exist a sufficient number of parking spaces necessary to satisfy the requirements of the Premises Documents and any leases and all zoning and other applicable legal requirements with respect to the Mortgaged Property, and all required landscaping, sidewalks and other amenities, and all off-site improvements, related to the Improvements have been completed.

Section 5.16. Utility Services. All utility services necessary for the use and operation of the Improvements for their intended purposes are available and servicing the Property, including water supply, storm and sanitary sewer, gas, electric power and telephone facilities.

Section 5.17. Creation of Liens. It has entered into no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Mortgaged Property or any part thereof.

Section 5.18. Roads. All roads necessary for the full utilization of the Improvements for their intended purposes have been completed and dedicated to public use and accepted by all appropriate Governmental Authorities.

Section 5.19. Requisition as Reaffirmation. Each Requisition submitted to Administrative Agent, and the receipt of the funds requested thereby, shall constitute an affirmation by Borrower that the representations and warranties contained herein and in the other Loan Documents remain true and correct as of the respective dates of such Requisitions.

Section 5.20. Patriot Act.

(a) As of the date hereof, none of the funds or other assets of Borrower or of any of its direct or indirect owners (including Guarantor) constitute property of, or are beneficially owned, directly or indirectly, by, any Person subject to trade restrictions under United States Law, including those who are covered by the International Emergency Economic Powers Act, 50 U.S.C. §§1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder (an "Embargoed Person") with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law; (ii) no Embargoed Person has any interest of any nature whatsoever (whether directly or indirectly) in Borrower with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law; and (iii) none of the funds of Borrower have been derived from any unlawful activity with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law.

(b) Neither Borrower nor any of its direct or indirect owners (including Guarantor) is in violation of the U.S. Federal Bank Secrecy Act, as amended, and its implementing regulations (31 CFR part 103), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 and the regulations promulgated thereunder, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), or any other anti-money laundering Law.

(c) Neither Borrower nor any if its direct or indirect owners (including Guarantor) is a Person with whom United States Persons are restricted from doing business with under (a) regulations issued by OFAC (including those persons and entities named on OFAC's Specially Designated Nationals and Blocked Persons list) or under any United States Law (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or (b) any other Law. Without limiting the foregoing, Borrower is not presently funding its obligations hereunder with funds from any of the Persons referred to in this paragraph (c).

(d) Guarantor has joined in this Agreement, for the purposes, among other things, of joining in the representations to Administrative Agent and Lenders in this Section 5.20.

ARTICLE VI

COVENANTS OF BORROWER

Borrower covenants and agrees with Administrative Agent and Lenders that it will promptly:

Section 6.01. Compliance with Laws; Payment of Taxes. Comply with all Laws applicable to it or the Mortgaged Property, or any part thereof, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed on it or the Mortgaged Property, or any part thereof, and promptly furnish Administrative Agent with reports of any official searches made by Governmental Authorities and any claims of violations thereof.

Section 6.02. Leases and Premises Documents. Not enter into any Major Lease without the prior written consent of Administrative Agent, not to be unreasonably withheld or delayed; and deliver to Administrative Agent certified copies of all leases in respect of the Mortgaged Property and all Premises Documents and all amendments to any thereof (in any case, whether executed before or after the date hereof) together with (i) if requested by Administrative Agent, current financial statements of the tenants thereunder or parties thereto as the case may be, and of the guarantor(s), if any, of such tenants or parties and (ii) in the case of all Major Leases, a notice-of-assignment letter in the form of EXHIBIT B; and keep all Premises Documents and, except as may be permitted by the Mortgage, all leases in full force and effect.

Section 6.03. Administration Fee/Inspection Fee. During the term of the Loan, Borrowers shall pay to Administrative Agent for its own account (and not for the pro rata benefit of Lenders) an administration fee (the "Administration Fee") in the amount set forth in the Supplemental Fee Letter, payable in advance on the date hereof and on each anniversary of the date hereof. Each payment of the Administration Fee shall be deemed earned in full upon payment. Commencing on the first anniversary of the date hereof and on each anniversary thereafter during the term of the Loan, deliver to Administrative Agent, for its own account, a non-refundable administrative inspection fee (the "Inspection Fee") in the amount set forth in the Supplemental Fee Letter with respect to the costs associated with Lender's annual inspection of the Property.

Section 6.04. Continuing Accuracy of Representations and Warranties. Cause all of the representations and warranties made to Administrative Agent or Lenders herein and in the other Loan Documents to be continuously true and correct.

Section 6.05. Covenants, Restrictions and Easements. Comply with all restrictions, covenants and easements affecting the Mortgaged Property or the Improvements and cause the satisfaction of all conditions hereof.

Section 6.06. Financial Covenants. In no event shall Borrower permit (i) the Funding Cap to exceed 65% of the appraised value of the Mortgaged Property (the "Loan to Value Test") as determined by an independent appraisal conducted at Borrower's expense by an appraiser selected by Administrative Agent, which appraisal shall be conclusive as to value absent manifest error, provided, however, that, except for appraisals performed in connection with a recalculation of the Funding Cap under Section 2.04, Borrower shall not be obligated to pay for more than one (1) appraisal per any twelve (12) consecutive month period so long as no Event of Default exists or (ii) Net Operating Income to be less than 130% of debt service on the Outstanding Credit Amount equal to the Funding Cap (the "DSC Test"). For purposes of determining compliance with the DSC Test, Net Operating Income shall be calculated on a semi-annual basis using six months' actual figures and the projected figures for the next succeeding six months and debt service shall be calculated based upon a loan in the Outstanding Credit Amount using an interest rate equal to the greatest of (a) the highest actual interest rate then applicable hereunder; (b) the Treasury Rate plus 225 basis points or (c) an interest rate equal to 8.0% and a (25) year equal payment self liquidating amortization schedule, provided, however, that such non-compliance shall not constitute an Event of Default under the Mortgage and hereunder if, within forty-five (45) days of the date upon which Mortgagor receives written notice from Administrative Agent of Borrower's non-compliance thereof (the "Notice Date"), Mortgagor complies with the provisions of this Section 6.06, by either (i) agreeing in writing to reduce the Funding Cap by an amount which would bring Borrower into compliance with the DSC Test and the Loan to Value Test and, to the extent the Funding Cap as so reduced would exceed the Outstanding Credit Amount, making a mandatory principal payment (or at Administrative Agent's option deliver cash collateral for any Letter of Credit outstanding) in the amount of such excess such that, at no time, shall the Outstanding Credit Amount (excluding any portion of a Letter of Credit which is secured by cash collateral) exceed the Funding Cap as reduced from time to time, with Borrower paying all applicable

prepayment or other charges, if any, provided for herein or in the Note with respect to such mandatory principal payment or (ii) delivering to Administrative Agent cash, a letter of credit from a financial institution acceptable to Administrative Agent, or such other collateral as may be acceptable to Lender in its sole discretion in an amount equal to the amount that would have been required to have been prepaid pursuant to (i) above in order to cure such default. In the case of Guarantor, Guarantor shall comply at all times with the Liquidity Requirement and the Net Worth Requirement.

Section 6.07. Payment of Costs. Pay all costs and expenses required for the satisfaction of the conditions hereof, including, without limitation (i) all document and stamp taxes, recording and filing expenses and fees and commissions lawfully due to brokers in connection with the transactions contemplated hereby, (ii) any taxes, insurance premiums, liens, security interests or other claims or charges against the Property or Improvements and (iii) all costs of completion of the work to be performed by Borrower in space to be occupied in the Improvements (including public space) to permit the lawful occupancy thereof for the purposes contemplated by actual or prospective lessees or owners of such space as set forth in the individual leases, subleases or purchase contracts thereof or in detailed work letters or other agreements or letters of intent with respect thereto, or, in cases where there are no such leases, subleases, contracts, work letters or other documents as aforesaid, as set forth in Borrower's standard work letter or the standard form of lease or contract, if any, required by paragraph (10) of Section 4.01(d), or, in cases where none of the foregoing exists, to the level of building standard in accordance with industry practices, as conclusively determined by the Engineering Consultant.

Section 6.08. Brokers. Indemnify Administrative Agent and Lenders against claims of brokers arising by reason of the execution hereof or the consummation of the transactions contemplated hereby.

Section 6.09. Correction of Defects. Upon demand of Administrative Agent or the Engineering Consultant, correct any defects (including structural) in the Improvements.

Section 6.10. Unused Fee. Borrower shall, during the term of the Loan, pay to Administrative Agent for the account of each Lender a fee (the "Unused Fee"), computed on the daily unused Individual Loan Commitment (i.e., that portion of the Individual Loan Commitment, without reduction for the Special Holdback, which (x) is not outstanding hereunder and (y) is not allocated to an outstanding Letter of Credit) of such Lender based on the Loan Amount for each day at a rate per annum equal to the Unused Fee Rate, calculated on the basis of a year of three hundred sixty (360) days for the actual number of days elapsed. The accrued Unused Fee shall be due and payable quarterly in arrears on the first day of July, October, January and April of each year commencing on January 1, 2007, and upon the Maturity Date (as stated, by acceleration or otherwise) or earlier termination of the Loan.

Section 6.11. Reporting and Miscellaneous Document Requirements. Furnish directly to each Lender:

(1) Semi-Annual Financial Statements of Borrower. On a semi-annual basis, as soon as available and in any event within ninety (90) days after the end of each applicable semi-annual period, Financial Statements of Borrower, in reasonable detail (including detailed balance sheet, income statement, cash flow statement and one-year projections) and stating in comparative form the respective figures for the corresponding date and period in the prior semi-annual period;

(2) Annual Financial Statements of Borrower. On an annual basis, as soon as available and in any event within ninety (90) days after the end of each applicable annual period, Financial Statements of Borrower, in reasonable detail (including detailed balance sheet, income statement, cash flow statement and one-year projections) and stating in comparative form the respective figures for the corresponding date and period in the prior annual period;

(3) Quarterly and Annual Financial Statements of Acadia Realty Trust. As soon as available and in any event within one hundred twenty (120) days after the end of each calendar quarter and Fiscal Year, Financial Statements of Acadia Realty Trust, a Maryland real estate investment trust ("Sponsor"), which is the parent of Guarantor, as of the end of and for such calendar quarter and Fiscal Year, in reasonable detail (including detailed balance sheet, income statement, cash flow statement, and contingent liability schedule) and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year, audited (with respect to the annual financial statements only) by BDO Seidman or one of the so-called "Big Four" accounting firms or another firm of certified public accountants reasonably acceptable to Administrative Agent, provided that, notwithstanding the foregoing, so long as Sponsor timely files 10Q and 10K reports with the Securities and Exchange Commission, Sponsor shall have complied with this clause (3);

(4) Covenant Compliance Certificates. Within sixty (60) days after the end of each fiscal quarter, Guarantor shall submit to Lender a Covenant Compliance Certificate certified by a principal financial or accounting officer or general partner, as the case may be, in the Form of EXHIBIT E-1 hereto certifying, on the basis of Guarantor's unaudited financial statements, that Guarantor has met the Liquidity Requirement for the applicable period. As soon as available and in any event within one hundred twenty (120) days after the end of each Fiscal Year, Guarantor shall submit to Lender a Covenant Compliance Certificate certified by a principal financial or accounting officer or general partner, as the case may be, in the Form of EXHIBIT E-2 hereto certifying, on the basis of Guarantor's audited Financial Statements as of the end of and for such Fiscal Year, that Guarantor has met the Net Worth Requirement and the Liquidity Requirement;

(5) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits, and proceedings before any court or arbitrator or any Governmental Authority, affecting (i) Borrower which, if

determined adversely to Borrower are likely to result in a Material Adverse Change or (ii) all or any portion of the Mortgaged Property under any Mortgage;

(6) Notices of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a Default or any Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken with respect thereto;

(7) Material Adverse Change. As soon as is practicable and in any event within five (5) days after knowledge of the occurrence of any event or circumstance which is likely to result in or has resulted in a Material Adverse Change, written notice thereof;

(8) Offices. Thirty (30) days' prior written notice of any change in the chief executive office or principal place of business of Borrower;

(9) Environmental and Other Notices. As soon as possible and in any event within ten (10) days after receipt, copies of (i) all Environmental Notices received by Borrower which are not received in the ordinary course of business and which relate to any Property or a situation which is likely to result in a Material Adverse Change and (ii) all reports of any official searches made by any Governmental Authority having jurisdiction over any Property or the Improvements thereon, and of any claims of violations thereof and, on an annual basis, delivered with Borrower's annual Financial Statements, a report from Borrower regarding the status of the environmental matters discussed in Section 6.12;

(10) Insurance Coverage. Promptly, such information concerning Borrower's insurance coverage as Administrative Agent may reasonably request;

(11) Bankruptcy of Tenants. Promptly after becoming aware of the same, written notice of the bankruptcy, insolvency or cessation of operations of any tenant in the Improvements on any Property to which 5% or more of the aggregate minimum rent from such Improvements is attributable;

(12) Leasing Reports and Property Information. (i) Upon request by Administrative Agent, but no more often than quarterly, an updated rent roll, leasing report, and operating and cash statements for each Property and (ii) (ii) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, tenant sales report for each Property, to the extent Borrower is entitled to receive same pursuant to the terms of the respective leases; and

(13) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower, Guarantor or any Properties of Borrower as Administrative Agent may from time to time reasonably request.

ARTICLE VII

ADMINISTRATIVE AGENT; RELATIONS AMONG LENDERS

Section 7.01. Appointment, Powers and Immunities of Administrative Agent. Each Lender hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Loan Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Loan Document, together with such other powers as are reasonably incidental thereto. Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Loan Document or required by Law, and shall not by reason of this Agreement be a fiduciary or trustee for any Lender except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds, nor shall Administrative Agent have any fiduciary duty to Borrower nor shall any Lender have any fiduciary duty to Borrower or any other Lender. No implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against Administrative Agent. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or Affiliates shall be responsible to Lenders for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Loan Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any lien securing the obligations hereunder or thereunder or for any failure by Borrower or any Guarantor to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or Affiliates shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 7.02. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Lender as the holder of its Note and interest in the Loan for all purposes hereof and shall not be required to deal with any Person who has acquired a Participation in the Loan from a Lender. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with instructions signed by the Required Lenders,

and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding on all of Lenders and any other holder of all or any portion of the Loan or Participation therein.

Section 7.03. Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or of an Event of Default unless Administrative Agent has actual knowledge thereof or has received notice from a Lender or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent has such actual knowledge or receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to Lenders. Administrative Agent shall promptly send to each Lender a copy of any notice of a Default or Event of Default that Administrative Agent sends to Borrower or Guarantor. Administrative Agent, following consultation with Lenders, shall (subject to Section 7.07) take such action with respect to such Default or Event of Default which is continuing, including with respect to the exercise of remedies or the realization on, or operation or disposition of, any or all of the Mortgaged Property or any other collateral for the Loan, as shall be directed by the Required Lenders; provided, however, that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem to be in the best interest of Lenders. In no event shall Administrative Agent be required to take any such action which it determines would be contrary to the Loan Documents or to Law. Each of Lenders acknowledges and agrees that no individual Lender may separately enforce or exercise any of the provisions of any of the Loan Documents (including, without limitation, the Notes) other than through Administrative Agent.

Section 7.04. Rights of Administrative Agent as Lender. With respect to its Note and interest in the Loan, Administrative Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Administrative Agent, and the terms "Lender" and "Lenders" shall include Administrative Agent in its capacity as a Lender. Administrative Agent and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, Borrower or Guarantor (and any affiliates of them) as if it were not acting as Administrative Agent.

Section 7.05. Sharing of Costs by Lenders; Indemnification of Administrative Agent. Each Lender shall pay its ratable share, based on the respective outstanding principal balances under its Note and the other Notes, of any expenses incurred (and not paid or reimbursed by Borrower after demand for payment is made by Administrative Agent) by or on behalf of Lenders in connection with any Default or Event of Default, including, without limitation, costs of enforcement of the Loan Documents and any advances to pay taxes or insurance premiums, to complete the Improvements or otherwise to preserve the lien of the Mortgage or to preserve or protect the Mortgaged Property. In the event a Lender fails to pay its share of expenses as aforesaid, and all or a portion of such unpaid amount is paid by Administrative Agent and/or one or more of the other Lenders, then the defaulting Lender shall reimburse Administrative Agent and/or

the other Lender(s) for the portion of such unpaid amount paid by it or them, as the case may be, together with interest thereon at the Prime Based Rate from the date of payment by Administrative Agent and/or the other Lender(s). In addition, each Lender agrees to reimburse and indemnify Administrative Agent (to the extent it is not paid by on or behalf of Borrower, after demand for payment is made by Administrative Agent, under Section 8.13 or under the applicable provisions of any other Loan Document, but without limiting the obligation of Borrower under said Section 8.13 or such provisions), for such Lender's ratable share, based upon the respective outstanding principal balances under its Note and the other Notes, of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Administrative Agent in any way relating to or arising out of this Agreement, any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 8.13 or under the applicable provisions of any other Loan Document) or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided, however, that no Lender shall be liable for (i) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified or (ii) any loss of principal or interest with respect to Administrative Agent's Note or interest in the Loan.

Section 7.06. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance on Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own analysis of the collateral for the Loan and of the credit of Borrower and Guarantor, and its own decision to enter into this Agreement, and that it will, independently and without reliance upon Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Loan Document. Administrative Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or to inspect the properties (including, without limitation, the Properties) or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to Lenders by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of Borrower or Guarantor (or any Affiliate of them) which may come into the possession of Administrative Agent or any of its Affiliates. Administrative Agent shall not be required to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein, for record or give notice of this Agreement, any other Loan Document or any document or instrument referred to herein or therein, to anyone.

Section 7.07. Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations

of Lenders under Section 7.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. If any indemnity furnished to Administrative Agent for any purpose shall, in the opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional indemnity and cease, or not commence, the action indemnified against until such additional indemnity is furnished.

Section 7.08. Resignation or Removal of Administrative Agent. Administrative Agent may resign on at least thirty (30) days' written notice to Lenders and Borrower or upon the occurrence of an Event of Default. Administrative Agent may be removed at any time with cause by the Required Lenders, provided that Borrower and the other Lenders shall be promptly notified thereof. Upon such resignation or removal of Administrative Agent, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor Administrative Agent shall (provided there exists no Event of Default) be subject to Borrower's approval, such approval not to be unreasonably withheld or delayed. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within twenty (20) days after the resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be one of Lenders, within ten (10) days. The Required Lenders or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Lenders. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent. The annual Administration Fee paid to the retiring Administrative Agent shall be deemed earned by such retiring Administrative Agent only to the extent of the actual days elapsed in the year to which such Administration Fee relates, and upon appointment of a successor Administrative Agent, the retiring Administrative Agent shall pay to such successor a pro-rata portion of such yearly Administration Fee based upon the number of days remaining in such year.

Section 7.09. Amendments Concerning Agency Function. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Loan Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

Section 7.10. Liability of Administrative Agent. Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Lender to perform its obligations hereunder or to any Lender on account of the failure of Borrower to perform its obligations hereunder or under any other Loan Document.

Section 7.11. Transfer of Agency Function. Without the consent of Borrower or any Lender, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and Lenders thereof.

Section 7.12. Non-Receipt of Funds by Administrative Agent; Adjustments.

(a) Unless Administrative Agent shall have received notice from a Lender or Borrower (either one as appropriate being the "Payor") prior to the date on which such Lender is to make payment hereunder to Administrative Agent of Loan proceeds or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the Federal Funds Rate.

(b) If, after Administrative Agent has paid each Lender's share of any payment received or applied by Administrative Agent in respect of the Loan, that payment is rescinded or must otherwise be returned or paid over by Administrative Agent, whether pursuant to any bankruptcy or insolvency Law, sharing of payments clause of any loan agreement or otherwise, such Lender shall, at Administrative Agent's request, promptly return its share of such payment or application to Administrative Agent, together with such Lender's proportionate share of any interest or other amount required to be paid by Administrative Agent with respect to such payment or application. In addition, if a court of competent jurisdiction shall adjudge that any amount received and distributed by Administrative Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to Administrative Agent its share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

Section 7.13. Withholding Taxes. Each Lender represents that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent such forms, certifications, statements and other documents as Administrative Agent may reasonably request from time to time to evidence such Lender's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent to comply with any applicable Laws relating thereto. Without limiting the effect of the foregoing, if any Lender is not created or organized under the Laws of the United States or any state thereof, such Lender will furnish to Administrative Agent Form W-8ECI or Form W-8BEN of the U.S. Internal

Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Lender, as evidence of such Lender's complete exemption from the withholding of United States tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Lender in respect of the Loan until such Lender shall have furnished to Administrative Agent the requested form, certification, statement or document.

Section 7.14. Sharing of Payments among Lenders. If a Lender shall obtain payment of any principal of its Note or of interest thereon through the exercise of any right of setoff, banker's lien or counterclaim, or by any other means (including direct payment), and such payment results in such Lender receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to Lenders, then such Lender shall promptly purchase for cash from the other Lenders Participations in the Loan in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share ratably the benefit of such payment. To such end Lenders shall make appropriate adjustments among themselves (by the resale of Participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

Section 7.15. Possession of Documents. Each Lender shall maintain possession of its own Note. Administrative Agent shall hold all other Loan Documents and related documents in its possession and maintain separate records and accounts with respect to the Loan, reflecting the interests of Lenders in the Loan, and shall permit Lenders and their representatives access at all reasonable times to inspect such Loan Documents, related documents, records and accounts.

Section 7.16. Effect of a Lender's Failure to Make an Advance. In the event any Lender fails for any reason to fund the portion it is required to fund of any advance of Loan proceeds by 3:00 p.m. on the second Business Day after the date established by Administrative Agent as the date such advance is to be made, such Lender shall be a "Delinquent Lender" for all purposes hereunder until and unless such delinquency is cured in accordance with the terms of and by the time permitted under Section 7.17, and the following provisions shall apply:

(a) Administrative Agent shall notify (such notice being referred to as the "Delinquency Notice") each Lender and Borrower of any Lender's failure to fund. Each Non-Delinquent Lender shall have the right, but in no event or under any circumstance the obligation, to fund such Delinquent Lender's portion of such advance, provided that, within twenty (20) days of the date of the Delinquency Notice (the "Election Period"), such Non-Delinquent Lender or Lenders (each such Lender, an "Electing Lender") irrevocably commit(s) by notice in writing (an "Election Notice") to Administrative Agent, the other Lenders and Borrower to fund the Delinquent Lender's portion of the advance that is the subject of the delinquency and to assume the Delinquent Lender's obligations with respect to the advancing of the entire undisbursed portion of the Delinquent Lender's Individual Loan Commitment (such entire undisbursed portion of the Delinquent Lender's Individual Loan Commitment, including its portion of the advance that is the

subject of the delinquency, the “Delinquency Amount”). If Administrative Agent receives more than one Election Notice within the Election Period, then the Electing Lenders sending such notices shall be deemed to have committed to fund ratable shares of the Delinquency Amount based upon the amounts of their respective Individual Loan Commitments. If there are one or more Electing Lenders and the Delinquent Lender fails to cure during the Election Period as provided in Section 7.17, then upon the expiration of the Election Period, each Electing Lender’s Individual Loan Commitment shall be automatically increased by the Delinquency Amount (if there is only one Electing Lender) or such Electing Lender’s ratable share, determined as aforesaid, of the Delinquency Amount (if there are two or more Electing Lenders), and the Delinquent Lender’s Individual Loan Commitment shall automatically be reduced by the Delinquency Amount. Administrative Agent shall thereupon notify Borrower and each Lender of (i) the adjusted amounts of the Individual Loan Commitments and (ii) if the advance that was the subject of the delinquency was not made pursuant to Section 7.12 or was refunded by Borrower pursuant to paragraph (e) of this Section, the rescheduled date of such advance (which shall be no sooner than three (3) Business Days after such notice). In the event Administrative Agent shall have funded, pursuant to Section 7.12, the entire advance that was the subject of the delinquency (including the Delinquent Lender’s portion), and Borrower shall not have refunded such advance pursuant to paragraph (e) of this Section, the Electing Lender(s) shall remit to Administrative Agent the Delinquent Lender’s portion of the advance, or their ratable shares thereof, as the case may be, within three (3) Business Days of the notice provided for in the immediately preceding sentence, and Administrative Agent shall reimburse itself from such funds for making the Delinquent Lender’s portion of the advance. Notwithstanding anything to the contrary contained herein, if Administrative Agent advances its own funds in respect of a Delinquent Lender’s portion of an advance, Administrative Agent shall be entitled to the interest on the portion of the Principal Amount represented thereby, from the date Administrative Agent makes such advance until the date it is reimbursed therefor.

(b) In connection with the adjustment of the amounts of the Individual Loan Commitments of the Delinquent Lender and Electing Lender(s) upon the expiration of the Election Period as aforesaid, Borrower covenants that it shall, promptly following the request of the Electing Lender(s), execute and deliver to each Electing Lender and the Delinquent Lender substitute notes substantially in the form of EXHIBIT D and stating: “This Note is a substitute note as contemplated by Section 7.16 of the Loan Agreement; it replaces and is in lieu of that certain note made by Maker dated [date of Note] to the order of [Lender] in the principal sum of [Lender’s original Individual Loan Commitment].” Such substitute notes shall be in amounts equal to such Lenders’ respective Individual Loan Commitments, as adjusted. All such substitute notes shall constitute “Notes” and the obligations evidenced by such substitute notes shall be secured by the Mortgage. In connection with Borrower’s execution of substitute notes as aforesaid, Borrower shall deliver to Administrative Agent evidence, satisfactory to Administrative Agent, of all requisite partnership, corporate or other action to

authorize Borrower's execution and delivery of the substitute notes and any related documents. The execution and delivery of substitute notes as required above shall be a condition precedent to any further advances of Loan proceeds. Upon receipt of its substitute note, the Electing Lender and the Delinquent Lender will return to Borrower their notes that were replaced, provided that the delivery of a substitute note to the Delinquent Lender pursuant to this Section 7.16 shall operate to void and replace the note previously held by the Delinquent Lender regardless of whether the Delinquent Lender returns same as required hereby. Borrower, Administrative Agent and Lenders shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with the adjustment of the amounts of Individual Loan Commitments in accordance with the foregoing provisions of this Section.

(c) In the event that no Lender elects to commit to fund the Delinquency Amount within the Election Period as provided in paragraph (a) of this Section, Administrative Agent shall, upon the expiration of the Election Period, so notify Borrower and each Lender and the provisions of Section 2.15 shall apply.

(d) Subject to a Delinquent Lender's right to cure as provided in Section 7.17, but notwithstanding anything else to the contrary contained in this Agreement, the Delinquent Lender's interest in, and any and all amounts due to a Delinquent Lender under, the Loan Documents (including, without limitation, all principal, interest, fees and expenses) shall be subordinate in lien priority and to the repayment of all amounts (including, without limitation, interest) then or thereafter due or to become due to the Non-Delinquent Lenders under the Loan Documents (including future advances), and the Delinquent Lender thereafter shall have no right to participate in any discussions among and/or decisions by Lenders hereunder and/or under the other Loan Documents. Further, any Delinquent Lender shall be bound by any amendment to, or waiver of, any provision of, or any action taken or omitted to be taken by Administrative Agent and/or the Non-Delinquent Lenders under, any Loan Document which is made subsequent to the Delinquent Lender's becoming a Delinquent Lender.

(e) If, pursuant to the operation of Section 7.12, an advance of Loan proceeds is made without Administrative Agent's receipt of a Delinquent Lender's portion thereof, Borrower shall, upon demand of Administrative Agent, refund the entire such advance to Administrative Agent. Borrower's failure to do so within ten (10) days of such demand shall, notwithstanding anything to the contrary contained herein or in the Mortgage, constitute an Event of Default under the Mortgage. Upon its receipt of such funds from Borrower, Administrative Agent shall promptly remit to each Non-Delinquent Lender its appropriate share thereof.

Section 7.17. Cure by Delinquent Lender. A Delinquent Lender may cure a delinquency arising out of its failure to fund its required portion of any advance if, within the Election Period, it remits to Administrative Agent its required portion of such

advance (together with interest thereon at the Default Rate from the date such advance was to have been made if such advance was made by Administrative Agent and not refunded by Borrower pursuant to paragraph (e) of Section 7.16), in which event Administrative Agent shall so notify Borrower and the Non-Delinquent Lenders (i) of its receipt of such funds and (ii)(A) if the advance that was the subject of the delinquency shall not have been made (or shall have been refunded by Borrower pursuant to paragraph (e) of Section 7.16), of the rescheduled date of the advance (which shall be no sooner than three (3) Business Days after such notice) or (B) if Administrative Agent shall have funded the entire advance that was the subject of the delinquency (including the Delinquent Lender's portion) and Borrower shall not have refunded such advance pursuant to paragraph (e) of Section 7.16, of its intention to reimburse itself from funds received from the Delinquent Lender (which reimbursement is hereby authorized) for funding the Delinquent Lender's required portion of the advance. In the event any Delinquent Lender cures a delinquency prior to the expiration of the Election Period (or thereafter with the consent of all of the Non-Delinquent Lenders), such Delinquent Lender nonetheless shall be bound by any amendment to or waiver of any provision of, or any action taken or omitted to be taken by Administrative Agent and/or the Non-Delinquent Lenders under, any Loan Document which is made subsequent to that Lender's becoming a Delinquent Lender and prior to its curing the delinquency as provided in this Section, provided that such amendment or waiver of action was taken in accordance with the provisions of this Agreement. A Delinquent Lender shall have absolutely no right to cure any delinquency after the expiration of the Election Period unless all Non-Delinquent Lenders in their sole discretion elect to permit such cure.

Section 7.18. Delinquent Lender Not Excused. Nothing contained in Sections 7.16 or 7.17 shall release or in any way limit a Delinquent Lender's obligations as a Lender hereunder and/or under any other of the Loan Documents. Further, a Delinquent Lender shall indemnify and hold harmless Administrative Agent, each of the Non-Delinquent Lenders and Borrower from any claim, loss, or costs incurred by any of them as a result of a Delinquent Lender's failure to comply with the requirements of this Agreement, including, without limitation, any and all additional losses, damages, costs and expenses (including, without limitation, attorneys' fees) incurred by Administrative Agent and any Lender as a result of and/or in connection with (i) a Non-Delinquent Lender's acting as an Electing Lender, (ii) any enforcement action brought by Administrative Agent against a Delinquent Lender, and (iii) any action brought against Administrative Agent and/or Lenders. The indemnification provided above shall survive any termination of this Agreement.

Section 7.19. Notices Regarding Delinquent Lender. Notices by Administrative Agent or Lenders pursuant to Sections 7.16 or 7.17 may be by telephone (to be promptly confirmed in writing).

Section 7.20. Replacement Lender. In the event any Lender becomes a Delinquent Lender and none of the other Lenders elects to be an Electing Lender pursuant to Section 7.16, Borrower shall have the right, provided there exists no Default or Event of Default, to cause another financial institution, reasonably acceptable to (x) the Required Lenders if such institution is not an Eligible Assignee or (y) Administrative

Agent if such institution is an Eligible Assignee, to assume the Delinquent Lender's obligations with respect to the Delinquency Amount on the then-existing terms and conditions of the Loan Documents (such replacement institution, a "Replacement Lender"). Such assumption shall be pursuant to a written instrument reasonably satisfactory to Administrative Agent. Upon such assumption, the Replacement Lender shall become a "Lender" for all purposes hereunder, with an Individual Loan Commitment in an amount equal to the Delinquency Amount, and the Delinquent Lender's Individual Loan Commitment shall automatically be reduced by the Delinquency Amount. In connection with the foregoing, Borrower shall execute and deliver to the Replacement Lender and the Delinquent Lender substitute notes substantially in the form of EXHIBIT D and stating: "This Note is a substitute note as contemplated by Section 7.20 of the Loan Agreement; it replaces and is in lieu of that certain note made by Maker dated [date of Note] to the order of [Delinquent Lender] in the principal sum of [Delinquent Lender's original Individual Loan Commitment]." Such substitute notes shall be in amounts equal to, in the case of the Replacement Lender's note, the Delinquency Amount and, in the case of the Delinquent Lender's note, its Individual Loan Commitment, as reduced as aforesaid. Such substitute notes shall constitute "Notes" and the obligations evidenced by such substitute notes shall be secured by the Mortgage. In connection with Borrower's execution of substitute notes as aforesaid, Borrower shall deliver to Administrative Agent evidence, satisfactory to Administrative Agent, of all requisite partnership/corporate action to authorize Borrower's execution and delivery of the substitute notes and any related documents. Upon delivery of the foregoing substitute note(s), each Delinquent Lender shall return to Borrower its note which was replaced, provided that the delivery of a substitute note to the Delinquent Lender pursuant to this Section 7.20 shall operate to void and replace the note previously held by the Delinquent Lender regardless of whether Delinquent Lender returns same as required hereby.

Borrower, Administrative Agent and Lenders shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with the substitution of Lenders in accordance with the foregoing provisions of this Section.

Lenders shall reasonably cooperate with Borrower's attempts to obtain a Replacement Lender, but they shall not be obligated to modify the Loan Documents in connection therewith, other than modifications pursuant to the immediately preceding paragraph or modifications which are favorable to Lenders.

ARTICLE VIII

GENERAL CONDITIONS AND PROVISIONS

Section 8.01. Disbursement Not Waiver. The disbursement by Lenders of the Loan made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Lenders, shall not constitute a waiver by Lenders of the requirement that all conditions, including the non-performed conditions, shall be satisfied.

Section 8.02. No Third-Party Beneficiaries. This Agreement is solely for the benefit of Administrative Agent, Lenders and Borrower. All conditions of the obligations of Lenders hereunder are imposed solely and exclusively for the benefit of Lenders and may be freely waived or modified in whole or in part by Lenders at any time if in their sole discretion it deems it advisable to do so, and no person other than Borrower (provided, however, that all conditions have been satisfied) shall have standing to require Lenders to disburse the Loan or to be a beneficiary of this Agreement.

Section 8.03. Documentation Etc. Satisfactory. All documentation and proceedings deemed by Administrative Agent or Administrative Agent's Counsel to be necessary or required in connection herewith and the documents relating hereto shall be subject to the prior approval of, and satisfactory to, both of them as to form and substance. In addition, the Persons responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and Administrative Agent's Counsel. Administrative Agent or Administrative Agent's Counsel shall receive copies, certified if requested by either of them, of all documents which they may require in connection with the transactions contemplated hereby.

Section 8.04. Lender's Determination Conclusive. Administrative Agent shall, at all times, be free to independently establish to its satisfaction and in its absolute discretion the existence or nonexistence of any fact or facts the existence or nonexistence of which is a condition hereof.

Section 8.05. Notices. Except as expressly provided otherwise, all notices, demands, consents, approvals and statements required or permitted hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally, three (3) days after mailing by registered or certified mail, postage prepaid, or one (1) day after delivery to a nationally recognized overnight courier service providing evidence of the date of delivery, addressed to a party at its address on the signature page hereof or of the applicable Assignment and Assumption Agreement, or at such other address of which a party shall have notified the party giving such notice in writing in accordance with the foregoing requirements. Notices validly given to any Borrower shall be deemed validly given to all Borrowers and notices from any Borrower shall be deemed given by all Borrowers. Notwithstanding anything to the contrary contained herein, in the event of separate notices received from less than all Borrowers which are inconsistent, Administrative Agent may, in its discretion, (i) elect to treat any or all inconsistent provisions of such notices as null and void and/or (ii) determine which of such inconsistent provisions shall be considered valid hereunder.

Section 8.06. Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Loan Document, nor consent to any material departure by Borrower or any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the party against whom such amendment, waiver or consent is sought to be enforced (it being understood, however, that the signatures of the Required Lenders and, solely for purposes of its acknowledgement thereof, Administrative Agent, shall be sufficient to bind Lenders to

any such amendment, waiver or consent), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all Lenders, do any of the following: (i) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any other Loan Document; (ii) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees due hereunder or under any other Loan Document; (iii) change the definition of Required Lenders; (iv) release any material portion of the Mortgaged Property or other collateral for the Loan other than in accordance with the Loan Documents; (v) amend this Section or any other provision requiring the consent of all Lenders; (vi) release, in whole or in part, any Guarantor other than in accordance with the Loan Documents; or (vii) increase the Loan Amount. Without limiting the foregoing, acceptance by Administrative Agent or Lenders of any sum required to be paid pursuant hereto or any other Loan Document, after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Administrative Agent or Lenders of their right to require prompt payment when due of all other such sums or to declare a default or to exercise such other rights provided herein or in the other Loan Documents for such late or reduced payment.

All communications from Administrative Agent to Lenders requesting Lenders' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Lender, (ii) shall be accompanied by or include a description or copy of the matter or thing as to which such determination, approval, consent or disapproval is requested and (iii) shall include Administrative Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within ten (10) Business Days (or five (5) Business Days with respect to any decision to accelerate or stop acceleration of the Loan) after receipt of the request therefor by Administrative Agent (the "Lender Reply Period"). Unless a Lender shall give written notice to Administrative Agent that it objects to the recommendation or determination of Administrative Agent (together with a written explanation of the reasons behind such objection) within the Lender Reply Period, such Lender shall be deemed to have approved or consented to such recommendation or determination.

Section 8.07. Assignment; Participation. Any Non-Delinquent Lender may at any time grant to one or more banks or other institutions not affiliated with Borrower or Guarantor (each a "Participant") participating interests in its Pro Rata Share of the Loan (the "Participations"). In the event of any such grant by a Lender of a Participation to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and Borrower and Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder. Any agreement pursuant to which any Lender may grant a Participation shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Loan Document, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such participation agreement may provide that such Lender will not agree to any modification,

amendment or waiver described in clauses (i) through (vii) of Section 8.06 without the consent of the Participant.

Upon request by Borrower, each Lender agrees to provide Borrower with notice of all Participations sold by such Lender. Borrower agrees to provide all assistance reasonably requested by a Lender to enable such Lender to sell Participations as aforesaid, or make assignments of its interest in the Loan as hereinafter provided in this Section.

A Lender may at any time assign to any Eligible Assignee not affiliated with Borrower or Guarantor with the consent of Administrative Agent, which consents shall not be unreasonably withheld or delayed (such assignee, a "Consented Assignee"), or to one or more banks or other institutions which are majority owned subsidiaries of a Lender or of the parent of a Lender (each Consented Assignee or subsidiary bank or institution, an "Assignee") all or a proportionate part of all of its rights and obligations under this Agreement and its Note, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and the assigning Lender, provided that, after giving effect to such assignment, in each case, the Assignee's portion of the Loan and, in the case of a partial assignment of a Lender's interest, the assigning Lender's portion of the Loan will each be equal to or greater than \$5,000,000. Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the assigning Lender of an amount equal to the purchase price agreed between such Lender and such Assignee and (iii) payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of \$3,500, such Assignee shall be a party to this Agreement and shall have all the rights and obligations of a Lender as set forth in such Assignment and Assumption Agreement, and the assigning Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph, substitute notes, in the form of EXHIBIT D, shall be issued to the assigning Lender (in the case of a partial assignment) and Assignee by Borrower, in exchange for the return of the assigning Lender's original Note. All such substitute notes shall constitute "Notes" and the obligations evidenced by such substitute notes shall constitute obligations secured by the Mortgage. In connection with Borrower's execution of substitute notes as aforesaid, Borrower shall deliver to Administrative Agent such evidence of the due authorization, execution and delivery of the substitute notes and any related documents as Administrative Agent may reasonably request. If the Assignee is not incorporated under the Laws of the United States or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 7.13.

Borrower, Administrative Agent and Lenders shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with assignments in accordance with the foregoing provisions of this Section.

Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

Borrower recognizes that in connection with a Lender's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Loan may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee.

Section 8.08. Setoff. In addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim Administrative Agent or any Lender may otherwise have, Administrative Agent and each Lender shall be entitled, but only with the prior consent of Administrative Agent, to offset balances (general or special, time or demand, provisional or final) held by it for the account of Borrower at any of Administrative Agent's or such Lender's offices against any amount payable by Borrower to Administrative Agent or such Lender hereunder or under any other Loan Document which is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and (in the case of a Lender) Administrative Agent thereof; provided, however, that Administrative Agent's or such Lender's failure to give such notice shall not affect the validity thereof. Payments by Borrower hereunder or under the other Loan Documents shall be made without setoff or counterclaim.

Section 8.09. Successors and Assigns. Except as herein provided, this Agreement shall be binding upon and inure to the benefit of Borrower, Administrative Agent and Lenders and their respective heirs, personal representatives, successors and assigns. Notwithstanding the foregoing, Borrower, without the prior written consent of Lender in each instance, may not assign, transfer or set over to another, in whole or in part, all or any part of its benefits, rights, duties and obligations hereunder, including, but not limited to, performance of and compliance with conditions hereof and the right to receive the proceeds of the Loan.

Section 8.10. Severability. The provisions hereof are intended to be severable. Any provisions hereof, or the application thereof to any Person or circumstance, which, for any reason, in whole or in part, is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof (or the remaining portions of such provision) or the application thereof to any other Person or circumstance, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision (or portion thereof) or the application thereof to any Person or circumstance in any other jurisdiction.

Section 8.11. Non-Waiver; Remedies Cumulative. No failure or delay on Lender's part in exercising any right, remedy, power or privilege (hereinafter in this Section, each a "Remedy") hereunder or under any of the other Loan Documents shall operate as a waiver of any such Remedy or shall be deemed to constitute Administrative

Agent's or any Lender's acquiescence in any default by Borrower or Guarantor under any of said documents. A waiver by Administrative Agent or any Lender of any Remedy hereunder or under any of the other Loan Documents on any one occasion shall not be construed as a bar to any other or future exercise thereof or of any other Remedy. The Remedies provided in said documents are cumulative, may be exercised singly or concurrently and are not exclusive of any Remedies provided therein or by Law.

Section 8.12. Certain Waivers. Borrower hereby irrevocably and unconditionally waives (i) promptness and diligence, (ii) notice of any actions taken by Administrative Agent or any Lender hereunder or under any other Loan Document or any other agreement or instrument relating hereto or thereto except to the extent otherwise provided herein, (iii) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of Borrower's obligations hereunder and under the other Loan Documents, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving Borrower of any of its obligations hereunder or under the other Loan Documents, (iv) any requirement that Administrative Agent or any Lender protect, secure, perfect or insure any lien on any collateral for the Loan or exhaust any right or take any action against Borrower, Guarantor or any other Person or against any collateral for the Loan, (v) any right or claim of right to cause a marshalling of Borrower's assets and (vi) all rights of subrogation or contribution, whether arising by contract or operation of law or otherwise by reason of payment by Borrower pursuant hereto or to any other Loan Document. BORROWER FURTHER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY OR ON BEHALF OF ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO THIS AGREEMENT, THE NOTES OR OTHERWISE IN RESPECT OF THE LOAN, ANY AND EVERY RIGHT BORROWER MAY HAVE TO (W) INJUNCTIVE RELIEF, (X) A TRIAL BY JURY, (Y) INTERPOSE ANY COUNTERCLAIM THEREIN, OTHER THAN A COMPULSORY COUNTERCLAIM, AND (Z) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING CONTAINED IN THE IMMEDIATELY PRECEDING SENTENCE SHALL PREVENT OR PROHIBIT BORROWER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO ANY ASSERTED CLAIM.

Section 8.13. Expenses; Indemnification. The Loan shall be made without cost to Lender. Borrower covenants and agrees to pay all costs, expenses and charges (including, without limitation, all fees and charges of engineers, appraisers, the Engineering Consultant and Administrative Agent's Counsel) incurred by Administrative Agent or any Lender in connection with (i) the preparation for and consummation of the transactions contemplated hereby or for the performance hereof and of the other Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and (ii) the enforcement hereof or of any or all of the other Loan Documents; provided, however, that Borrower shall not be responsible for (1) the fees and expenses of legal counsel for Lenders other than BofA incurred in connection with said counsel's review of this Agreement and the other Loan Documents

prior to execution and (2) costs, expenses and charges incurred by Administrative Agent and Lenders in connection with the administration of the Loan (other than the fees payable pursuant to Section 6.03). If Borrower fails to pay promptly any costs, charges or expense required to be paid by it as aforesaid, and Administrative Agent or any Lender pays such costs, charges or expenses, Borrower shall reimburse Administrative Agent or such Lender, as appropriate, on demand for the amounts so paid, together with interest thereon at the Default Rate. Borrower further agrees to indemnify Administrative Agent and each Lender and their respective directors, officers, employees and agents from, and hold each of them harmless against, (x) any and all losses arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of the Loan, including, without limitation, the fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceedings and (y) any and all claims, actions, suits, proceedings, costs, expenses, losses, damages and liabilities of any kind, including in tort, penalties and interest, arising out of or by reason of any matter relating, directly or indirectly, to the Mortgage or the ownership, condition, development, construction, sale, rental or financing of the Property or Improvements or any part thereof (but excluding any such losses, liabilities, claims, damages or expenses incurred solely by reason of the gross negligence or willful misconduct of the party to be indemnified). The obligations of Borrower under this Section and under Sections 3.01, 3.03 and 6.08 shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan.

Section 8.14. Gross-Up For Taxes. All payments made by Borrower under the Note and other Loan Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding income taxes and franchise or other taxes (imposed in lieu of income taxes) imposed on Lender as a result of a present or former connection between Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") is required to be withheld from any amounts payable to Lender under the Note or other Loan Documents, the amounts so payable to Lender shall be increased to the extent necessary to yield to Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable with respect to the Loan at the rates or in the amounts specified in the Note or other Loan Documents. Whenever any Non-Excluded Taxes are payable by Borrower, as promptly as possible thereafter Borrower shall send to Lender a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to Lender the required receipts or other required documentary evidence, Borrower shall indemnify Lender for any incremental taxes, interest or penalties that may become payable by Lender as a result of any such failure. The

agreements in this Section shall survive the termination of this Agreement and the payment of the Note and all other amounts payable in respect of the Loan.

Section 8.15. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 8.16. Governing Law; Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law). Borrower, Administrative Agent and each Lender hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York (or any county in New York State where any portion of the Property is located) over any suit, action or proceeding arising out of or relating to this Agreement, and Borrower hereby agrees and consents that, in addition to any methods of service of process provided for under applicable Law, all service of process in any such suit, action or proceeding in any New York State or Federal court sitting in The City of New York (or such other county in New York State) may be made by certified or registered mail, return receipt requested, directed to Borrower at the address indicated on the cover page hereof, and service so made shall be complete five (5) days after the same shall have been so mailed.

Section 8.17. Integration. The Loan Documents constitute the entire agreement among Administrative Agent, Borrower and Lenders relating to the transactions contemplated thereby (except with respect to agreements among Lenders or with Administrative Agent relating solely to compensation, consideration and the syndication of the Loan) and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 8.18. Releases. Provided no Default or Event of Default exists, Borrower shall have the right to obtain the release of any of the Properties from the Mortgage encumbering the same, at Borrower's expense, so long as (i) Borrower pays to Administrative Agent for the account of Lenders an amount equal to the lesser of (x) the greater of (A) the Release Price for the Property that is the subject of such release and (B) the amount necessary to reduce the Funding Cap and the Outstanding Credit Amount to an amount which satisfies the DSC Test on the basis of Net Operating Income from the parcels not being released or (y) the Maximum Release Price, which amount shall be applied to the reduction of outstanding principal under the Loan, (ii) Administrative Agent receives such reasonable documentation as Administrative Agent shall request confirming that the amount of any Additional Interest secured by the Mortgage encumbering the Property which is being released shall be secured by the credit of Guarantor, and (iii) Administrative Agent receives such other documents, opinions and assurances as Administrative Agent may reasonably request. Upon any such release of a Property, such Property shall no longer constitute a "Property" hereunder and the Total Loan Commitment shall be reduced by the amount of the Loan Allocation for such Property. As used herein, the term "Maximum Release Price" shall mean the amount

(which shall in no event be less than zero) by which (x) the Outstanding Credit Amount exceeds (y) the Funding Cap determined as if such Property were released.

Section 8.19. Substitution of Collateral.

(a) Not more than twice in any twelve (12) month period Borrower may obtain the release of a Property as specified in a request to Lender by Borrower (the Property, the "Release Property"), provided that Borrower grants to Administrative Agent a Mortgage encumbering substitute property ("Substitute Collateral") owned by a Borrower, and provided, further, that, as to each such release and substitution, all of the following requirements are satisfied in full:

(i) Required Lenders have given prior approval of the release and substitution;

(ii) the Substitute Collateral is not located in the State of New York or in any other jurisdiction in which Administrative Agent determines it is impractical or disadvantageous to secure a revolving credit facility such as the Loan with real property;

(iii) Administrative Agent receives at least ninety (90) days' prior notice of the proposed release and substitution, which notice will contain sufficient documentation to enable Administrative Agent to determine whether the criteria set forth herein have been satisfied including, without limitation, operating statements and rent rolls for the Substitute Collateral for the six (6) most recent month period;

(iv) no default or Event of Default exists at the time of Borrower's request for release and no default or Event of Default exists at the time of release and substitution under the Loan Documents;

(v) the Substitute Collateral will be encumbered by a Mortgage in an amount equal to the Loan Amount, except that if the Substitute Collateral is located in a jurisdiction with a material mortgage recording tax based on the principal amount secured by the Mortgage, the amount of the Mortgage encumbering such Property shall be an amount equal to the product of (x) the as-is appraised value (the "Substitute Collateral Value") of the Substitute Collateral based on an appraisal thereof acceptable to Administrative Agent, which appraisal shall be at Borrower's cost and (y) 1.25;

(vi) Borrower will have complied with each and every covenant and condition to the Initial Advance set forth in Section 4.01 that would have been applicable if such Substitute Collateral had been included as a Property;

(vii) each property constituting Substitute Collateral will have satisfied Lenders' underwriting criteria including leasing criteria, tenant credit risk, tenant quality and lease expiration risk;

(viii) Guarantor indemnifies Administrative Agent and Lenders against losses related to environmental matters related to the Substitute Collateral pursuant to an indemnity agreement in substantially the same form executed with respect to the Release Property;

(ix) Borrower will have caused the Title Insurer to deliver, in form and substance satisfactory to Administrative Agent, a mortgagee's title policy in at least the amount of the Loan Allocation for the Substitute Collateral, together with tie-in endorsements to such new policy and each of the mortgagee title insurance policies insuring the other Mortgages, provided, however, that if the Substitute Collateral is located in a state in which a title policy tie-in or aggregation endorsement is not permitted, the policy insuring the Mortgage encumbering such Property shall be in an amount equal to the product of (x) the Substitute Collateral Value and (y) 1.25;

(x) Borrower will have paid for all of Lenders' costs and expenses associated with the substitution of collateral including attorneys' fees incurred by Administrative Agent and Lenders, title, survey, and engineering and environmental costs and charges; and

(xi) the Substitute Collateral will conform in all respects to such other underwriting standards and criteria as well as such other appraisal, legal, business, environmental, engineering, diversification, leasing and title requirements, all as Lender may determine in its sole discretion, and, in connection therewith, Lenders will have the right to conduct with respect to the Substitute Collateral, at Borrower's cost and expense, engineering audits and/or reports, reports, or audits as to the compliance by the Substitute Collateral with Law regarding access for persons with disabilities and environmental audits and/or reports.

(b) If Administrative Agent determines that the criteria set forth in this Section 8.19 have been satisfied and so notifies Borrower, then, (x) Borrower will grant a new Mortgage in favor of Administrative Agent in substantially the form of the other Mortgages and which will encumber the Substitute Collateral as a first priority lien, (y) as determined by Administrative Agent, Administrative Agent, Lenders, Borrower and Guarantor will otherwise modify or amend the Loan Documents to add the Substitute Collateral to the security encumbered by the Loan Documents and Borrower will execute and deliver to Administrative Agent such documents or instruments, as Administrative Agent requires to effect such modification or amendment, including, without limitation, modifications to (A) reflect the Allocated Amount for the Substitute Collateral (which Administrative Agent shall determine to be at an amount at which the Substitute Collateral would, if it were the only Property, satisfy the Loan to Value Test and the DSC Test) and the Funding Amount, provided that in no event shall (1) the Loan Amount be increased or (2) the Funding Amount exceed the Loan Amount and (B) reflect the deletion therefrom of references to the Release Property and the addition thereto of the Substitute Collateral, and (z) subject to the satisfaction in full of all of the requirements of clauses (x) and (y) above, Administrative Agent will release from the lien of this Mortgage such Release Property as Lender has theretofore agreed to reconvey.

Notwithstanding any of the above requirements, Administrative Agent reserves the right to reject the proposed Substitute Collateral if Administrative Agent concludes, in its sole judgment, that the proposed Substitute Collateral does not satisfy any of the conditions set forth above.

Section 8.20. Exculpation. Neither Borrower nor any Guarantor shall be personally liable for payment of the principal of the Note or interest thereon, and in the event of any failure by Borrower to pay any portion of such principal or interest, Lenders will look, with respect to the then outstanding balance of such principal and interest, solely to the Mortgaged Property and such other collateral as has been, or hereafter shall be, given to secure payment of the Note. The foregoing limitation on liability shall not impair or otherwise affect the validity or enforceability of (a) the debt evidenced by the Note or the Loan Agreement or of any other obligations evidenced by the Note, the Loan Agreement, the Mortgage or any of the Loan Documents or (b) Lenders' liens, security interests, rights and remedies (including, without limitation, the remedies of foreclosure and/or sale) with respect to the Mortgaged Property or any other property, security, collateral and/or assets (including the proceeds thereof) encumbered, pledged or assigned by the Mortgages or any other security for the Loan. In addition, the foregoing limitation on liability shall not limit anyone's obligations or be applicable with respect to: (i) liability under any guaranty(ies) or indemnity(ies) delivered or afforded to Lenders; (ii) any fraud or material misrepresentation; (iii) taxes of any kind (whether characterized as transfer, gains or other taxes) payable in connection with the foreclosure sale of the Mortgaged Property, irrespective of who pays such taxes; (iv) application of any proceeds of the Loan to any purpose other than as provided in the Loan Documents; (v) the application of any insurance or condemnation proceeds or other funds or payments other than strictly in accordance with the Loan Documents; (vi) the misapplication of any security deposits; (vii) rents, sales proceeds, or other sums received after default under the Loan Documents which are not applied to expenses of operating the Mortgaged Property or paid to Lenders or a duly appointed receiver of the Mortgaged Property; (viii) any failure to deliver to Lenders, after demand therefor, any agreements relating to the operation, management, leasing, use, occupancy or construction of the Mortgaged Property; (ix) any intentional physical waste in respect of the Mortgaged Property; (x) any failure to pay or discharge any real estate tax, other tax, assessment, fine, penalty or lien against the Mortgaged Property to the extent revenue from leases of the Mortgaged Property was available to pay same; (xi) liability as landlord under any lease(s) relating to the Mortgaged Property which liability accrued prior to Lenders' succeeding to such interest of Borrower, which Lenders are or become obligated for by virtue of Lenders succeeding to the interests of Borrower, provided, however, that such liability shall only apply with respect to any liability of Borrower under such leases which Lenders assumes pursuant to subordination, non-disturbance and attornment agreements required pursuant to the terms of such leases; (xii) liability under any agreement relating to the operation or maintenance of the Mortgaged Property which liability accrued prior to Lenders' succeeding to such interest of Borrower which Lenders are or become obligated for by virtue of Lenders succeeding to the interests of Borrower, provided, however, that such liability shall only apply with respect to agreements which are not terminable by their terms upon thirty (30) days' written notice; (xiii) liability to pay for the premiums on and keep in full force and effect insurance in respect of the Mortgaged Property in accordance

with the Loan Documents to the extent revenue from leases of the Mortgaged Property was available to pay same; or (xiv) liability for Hazardous Substances that may exist upon or be discharged from the Mortgaged Property. Borrower and any Guarantor shall in any event be and shall remain personally liable for each of the matters to which reference is made in the preceding sentence and Lenders may seek, obtain and enforce one or more money judgments in any appropriate proceeding(s) with respect thereto. The limitation on personal liability contained in this paragraph shall become automatically null and void and shall be of no further force or effect, and Borrower and each Guarantor shall be and remain personally liable for payment of the principal of the Note and interest thereon, in accordance with the terms and provisions of this Loan Agreement, in the event that Borrower, or anyone acting on behalf of Borrower, shall (A) file a petition or answer seeking any relief of any kind under the bankruptcy laws of the United States (or if an Insolvency Event shall otherwise occur), (B) assert in writing or in any legal proceedings of any kind that any provisions of any of the Loan Documents are in whole or in part unenforceable, invalid or not legally binding, or (C) fail fully to cooperate with Lenders or a receiver in Lenders' or such receiver's efforts to collect Rents directly from tenants after a default under the Loan Documents.

Section 8.21. Letters of Credit.

(a) Borrower, with the consent of Administrative Agent, may request, in lieu of advances of proceeds of the Loan, that Administrative Agent issue unconditional, irrevocable standby letters of credit (each, a "Letter of Credit") for the account of Borrower. Promptly upon Borrower's request for, and then upon issuance of, a Letter of Credit, Administrative Agent shall notify each Lender. As of the date hereof, the parties acknowledge that the Existing Letters of Credit constitute Letters of Credit issued hereunder. Each Borrower hereby assumes the reimbursement obligations agreed to by the Borrowers which executed the applications or agreements related to the issuance of the Existing Letters of Credit and all Borrowers shall hereafter be jointly and severally liable therefor. Notwithstanding anything to the contrary contained herein, in no event shall Borrower be permitted to have Letters of Credit with an aggregate face amount of more than \$15,000,000 outstanding at any one time.

(b) The amount of any Letter of Credit shall be limited to the amount of proceeds of the Loan available to be advanced hereunder, it being understood that the amount of each Letter of Credit issued and outstanding shall effect a reduction, by an equal amount, of proceeds available to Borrower under the Loan. Administrative Agent's issuance of each Letter of Credit shall be subject to Borrower having satisfied all conditions precedent to its entitlement to an advance of Loan proceeds. Each Letter of Credit shall expire no later than one (1) month prior to the Maturity Date. If the Letter of Credit is returned undrawn upon or expires without being drawn upon, then the amount of Loan proceeds allocated to the Letter of Credit shall again become available to be advanced with the terms hereof.

(c) In connection with, and as a further condition to the issuance of, each Letter of Credit, Borrower shall execute and deliver to Administrative Agent an application for the Letter of Credit on Administrative Agent's standard form therefor,

together with such other documents, opinions and assurances as Administrative Agent shall reasonably require, and shall pay such fees as Administrative Agent shall require.

(d) The parties hereto acknowledge and agree that, immediately upon notice from Administrative Agent of any drawing under a Letter of Credit, each Lender shall, notwithstanding the existence of a Default or Event of Default or the non-satisfaction of any conditions precedent to the making of an advance of the Loan, advance proceeds of the Loan, in an amount equal to its ratable share (based upon the undisbursed amounts of the Lenders' respective Individual Loan Commitments) of such drawing, which advance shall be made to Administrative Agent to reimburse Administrative Agent, for its own account, for such drawing. Borrower hereby irrevocably authorizes Lenders to make such advances. Each Lender further acknowledges that its obligation to fund its share of drawings under Letters of Credit as aforesaid shall survive the Lenders' termination of this Agreement or enforcement of remedies hereunder or under the other Loan Documents. In the event that any advance cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under any applicable bankruptcy or insolvency Law with respect to Borrower), then each Lender shall purchase (on or as of the date such advance would otherwise have been made) from Administrative Agent a participation interest in any unreimbursed drawing in an amount equal to its Pro Rata Share of such unreimbursed drawing.

(e) Borrower agrees, upon the occurrence of an Event of Default and at the written request of Administrative Agent, (i) to deposit with Administrative Agent cash collateral in the amount of all the outstanding Letters of Credit, which cash collateral shall be held by Administrative Agent as security for Borrower's obligations in connection with the Letters of Credit and (ii) to execute and deliver to Administrative Agent such documents as Administrative Agent reasonably requests to confirm and perfect the assignment of such cash collateral to Administrative Agent.

(f) In connection with each Letter of Credit, Borrower hereby covenants to pay to Administrative Agent the following fees, payable annually in advance upon the issuance of the Letter of Credit and on each anniversary date thereof: (1) a fee (the "Lenders L/C Fee") for the account of Lenders, computed daily on the amount of the Letter of Credit issued and outstanding at a per annum rate equal to 0.75% and (2) a fee (the "Fronting Fee") for Administrative Agent's own account, computed daily on the amount of the Letter of Credit issued and outstanding at a rate per annum equal to 0.15%. It is understood and agreed that the last installment of the foregoing fees provided for in this paragraph (f) with respect to any particular Letter of Credit shall be due and payable on the first day of the calendar quarter following the return, undrawn, or cancellation, of such Letter of Credit. In addition, Borrower shall pay to Administrative Agent, Administrative Agent's customary Administration Fees in connection with the issuance, extension, amendment and drawing of all Letters of Credit.

Section 8.22. Concerning Irrevocable Authorizations. Any and all advances made at any time by Lenders pursuant to the irrevocable authorizations granted by Section 8.20 shall require no further direction, authorization or request for disbursement

from Borrower and may be made whether or not there exists a Default or Event of Default. Any and all such disbursements shall be added to the outstanding principal balance evidenced by the Notes and shall be secured by the Mortgage.

Section 8.23. Usury. Anything herein to the contrary notwithstanding, the obligations of Borrower under this Agreement and the Notes shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of Law applicable to a Lender limiting rates of interest which may be charged or collected by such Lender.

Section 8.24. Documentation Satisfactory. All documentation required from or to be submitted on behalf of Borrower in connection with this Agreement and the documents relating hereto shall be subject to the prior approval of, and be satisfactory in form and substance to, Administrative Agent, its counsel and, where specifically provided herein, Lenders. In addition, the persons or parties responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and its counsel.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written, the execution hereof by Borrower constituting a certification by the party or parties executing on its behalf that the representations and warranties made in Article IV are true and correct as of the date hereof and that each of them duly holds and is incumbent in the position indicated under his or her name.

BANK OF AMERICA, N.A. (as Lender and Administrative Agent)

By _____
Denise M. Smyth
Senior Vice President

Address for notices and Applicable Lending Office:

Bank of America, N.A.
1185 Avenue of the Americas, 16th Floor
New York, New York 10036
Attention: Ms. Denise M. Smyth
Telephone: 212/819-6144
Telefax: 212/819-6294

RD ABSECON ASSOCIATES, L.P., a Delaware limited partnership

By: RD Absecon, Inc., a Delaware corporation, its general partner

By _____
Name:
Title:

RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP, a Delaware limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

RD HOBSON ASSOCIATES, L.P., a Delaware limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

ACADIA TOWN LINE, LLC, a Connecticut limited liability company

By: Acadia Realty Limited Partnership, a Delaware limited partnership,
its sole member

By: Acadia Realty Trust, a Maryland real estate investment trust, its general partner

By _____
Robert Masters
Senior Vice President

RD METHUEN ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

Address for notices for all Borrowers:

c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Mr. Robert Masters

EXHIBIT A

Assignment and Assumption Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of _____, 200____, among [NAME OF ASSIGNING BANK] ("Assignor") and [NAME OF ASSIGNEE] ("Assignee").

Preliminary Statement

1. This Assignment and Assumption Agreement (this "Agreement") relates to the Amended and Restated Revolving Loan Agreement (as the same may be amended from time to time, the "Loan Agreement") dated December 19, 2006 among _____ ("Borrower"), the lender(s) party thereto (each a "Lender" and, collectively, "Lenders") and _____, as administrative agent ("Administrative Agent"). All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Loan Agreement.

2. Subject to the terms and conditions set forth in the Loan Agreement, Assignor has made an Individual Loan Commitment to Borrower in an aggregate principal amount of \$_____ ("Assignor's Loan Commitment").

3. The aggregate outstanding principal amount under Assignor's Loan Commitment at the commencement of business on the date hereof is \$_____.

4. Assignor desires to assign to Assignee all of the rights of Assignor under the Loan Agreement in respect of a portion of Assignor's Loan Commitment and the loan made pursuant thereto, such portion being in an amount equal to \$_____ (the "Assigned Loan and Commitment"), of which \$_____ is currently outstanding and \$_____ is still to be disbursed to Borrower pursuant to the Loan Agreement; and Assignee desires to accept assignment of such rights and assume the corresponding obligations from Assignor on such terms.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Assignment. Assignor hereby assigns and sells to Assignee all of the rights of Assignor under the Loan Agreement in and to the Assigned Loan and Commitment, and Assignee hereby accepts such assignment from Assignor and assumes all of the obligations of Assignor under the Loan Agreement with respect to the Assigned Loan and Commitment, including, without limitation, Assignor's obligations with respect to the undisbursed portion, if any, thereof. Upon the execution and delivery hereof by Assignor, Assignee, Administrative Agent and the payment of the amount specified in Section 2 hereof required to be paid on the date hereof, (1) Assignee shall, as of the commencement of business on the date hereof, succeed to the rights and obligations of a Lender under the Loan Agreement with an Individual Loan Commitment in an amount

equal to the Assigned Loan and Commitment, and (2) the Individual Loan Commitment of Assignor shall, as of the commencement of business on the date hereof, be reduced correspondingly and Assignor released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee. Assignor represents and warrants that it (x) owns the Assigned Loan and Commitment free and clear of all liens and other encumbrances and (y) is legally authorized to enter into and perform this Agreement. Except as provided in the immediately preceding sentence, the assignment provided for herein shall be without representation or warranty by, or recourse to, Assignor.

SECTION 2. Payments. As consideration for the assignment and sale contemplated in Section 1 hereof, Assignee shall pay to Assignor on the date hereof, in immediately available funds, an amount equal to the outstanding principal amount under the Assigned Loan and Commitment recited in paragraph 4 of the Preliminary Statement above. Each of Assignor and Assignee hereby agrees that if it receives any amount under the Loan Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 3. Consent; Execution and Delivery of Note. This Agreement is conditioned upon the consent of Administrative Agent. The execution of this Agreement and Administrative Agent is evidence of this consent; **[Consents not required for certain assignments to entities related to a Lender.]** Pursuant to Section 8.07 of the Loan Agreement, Borrower has agreed to execute and deliver Notes payable to the respective orders of Assignee and Assignor to evidence the assignment and assumption provided for herein. Assignee has designated as its Applicable Lending Office, and as its address for notices, the office identified as such below.

SECTION 4. Non-Reliance on Assignor. Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of Borrower or any other party to any Loan Document, or the validity and enforceability of the obligations of Borrower or any other party to a Loan Document in respect of the Loan Agreement or any other Loan Document. Assignee acknowledges that it has, independently and without reliance on Assignor, and based on such documents and information as it has deemed appropriate, made its own analysis of the collateral for the Loan, credit analysis of Borrower and Guarantor and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the collateral for the Loan and of the business, affairs and financial condition of Borrower and the other parties to the Loan Documents.

SECTION 5. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law).

SECTION 6. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7. Certain Representations and Agreements by Assignee. Assignee represents that it is legally authorized to enter into and perform this Agreement. In addition, Assignee hereby represents that it is entitled to receive any payments to be made to it under the Loan Agreement or hereunder without the withholding of any tax and agrees to furnish the evidence of such exemption as specified therein and otherwise to comply with the provisions of Section 7.13 of the Loan Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[NAME OF ASSIGNOR]

By _____
Name:
Title:

[NAME OF ASSIGNEE]

By _____
Name:
Title:

Assignee's Applicable Lending Office and Address for Notices:

[Assignee]
[Address]
Attention: _____
Telephone: (____) _____

[NAME OF ADMINISTRATIVE AGENT]

By _____
Name:
Title:

[NAME OF BORROWER]

By _____
Name:
Title:

EXHIBIT B

Notice-of-Assignment of Lease
(On Letterhead of Borrower)

_____, 200_

[Name and Address of Tenant]

Re: Lease Dated:

Lender:

Address of Lender:

Mortgage Dated:

Dear Sir/Madam:

The undersigned has assigned by a mortgage or deed of trust (the "Mortgage") dated as shown above to the Lender identified above (hereinafter "Lender") all its estate, right, title and interest in, to and under the Lease between you and the undersigned dated as set forth above, as said Lease may have been heretofore modified or amended (the "Lease"), together with all right, title and interest of the undersigned as lessor thereunder, including, without limitation, the right upon the occurrence of an Event of Default (as defined in the Mortgage) to collect and receive all earnings, revenues, rents, issues, profits and income of the property subject to the Mortgage.

[Certain provisions of the Mortgage, the text of which are attached hereto, restrict some of the undersigned's rights under the Lease. However, s]
[S]aid assignment does not impair or diminish any of our obligations to you under the provisions of the Lease, nor are any such obligations imposed upon Lender, its successors or assigns.

Pursuant to said assignment you are hereby notified that in the event of a demand on you by Lender or its successors and assigns for the payment to it of the rents due under the Lease, you may, and are hereby authorized and directed to, pay said rent to Lender and we hereby agree that the receipt by you of such a demand shall be conclusive evidence of Lender's right to the receipt thereof and that the payment of the rents by you to Lender pursuant to such demand shall constitute performance in full of your obligation under the Lease for the payment of rent to the undersigned.

NOTE: To be sent in accordance with notice requirements of the Lease.

* To be used if property located in New York

Kindly indicate your receipt of this letter and your agreement to the effect set forth below by signing the enclosed copy thereof and mailing it to Lender at its address identified above to the attention of its Real Estate Finance Office.

[BORROWER]

By _____

Name:

Title:

The undersigned acknowledges receipt of the original of this letter and agrees for the benefit of Lender that it shall notify Lender of any default on the part of the landlord under the Lease which would entitle the undersigned to cancel the Lease or to abate the rent payable thereunder, and further agrees that, notwithstanding any provision of the Lease, no notice of cancellation thereof, nor of any abatement, shall be effective unless Lender has received the notice aforesaid and has failed within 30 days of the date thereof to cure, or if the default cannot be cured within 30 days has failed to commence and to diligently prosecute the cure, of landlord's default which gave rise to the right to cancel or abate.

[NAME OF TENANT]

By _____

its authorized officer

EXHIBIT C

Required Contents of Borrower's Counsel Opinion

(1) If Borrower, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, is qualified to do business (or such opinion shall specifically state that such qualification is not required) and is in good standing in the jurisdiction in which the Property is located, and has full power and authority to consummate the transactions contemplated by the Loan Documents and to execute, deliver and perform all Loan Documents to which it is a party.

(2) There are no actions, suits or proceedings pending or threatened against or affecting Borrower, Guarantor, the Mortgaged Property, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Lender in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become payable under the Note or Guaranty or to otherwise pay and perform their respective obligations in connection with the Loan; neither Borrower nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

(3) The consummation of the transactions contemplated by and the performance of the Loan Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which either of them may be bound or affected.

(4) There exist no violations of any laws, statutes, ordinances, rules, orders, regulations or requirements of any Governmental Authorities with respect to the Improvements and that the use thereof complies with all applicable zoning and other laws, etc. and with all restrictions, covenants, leases and easements affecting the Mortgaged Property.

(5) The Property is not part of a larger tract of land owned by Borrower, its affiliates or Guarantor, or otherwise considered as part of one zoning or tax lot, or, if they are, that any authorization or variance required for the subdivision of such larger tract which a sale of the Property would entail has been obtained from all appropriate Governmental Authorities so that the Property and Improvements constitute one zoning or tax lot (including parking and utility facilities and street access, if relevant) capable of being conveyed as such.

Required Contents of Borrower's Local Counsel Opinion (and, if required by Lender, of a local counsel selected by Lender or its counsel)

(1) The Loan Documents have each been duly authorized, executed and delivered by the parties thereto (other than Lender) and, under the laws of the jurisdiction in which the Property is located (were such laws to apply), are valid and binding instruments enforceable against such parties in accordance with their respective terms, subject, however, to the qualifications that (a) some of the rights and remedies set forth in the Note and Mortgage may be limited by bankruptcy, insolvency, reorganization and other laws of general application to the enforcement of creditors' rights and (b) certain remedies and waivers contained in the Mortgage may be limited by applicable laws of said jurisdiction, none of which qualifications will materially interfere with the practical realization of the benefits and security provided by said documents except for the economic consequences of any procedural delay which may result therefrom.

(2) Considering the significant relationship that the State of New York has to the Loan, the courts of the jurisdiction in which the Property is located will, in all likelihood, honor any designations by the parties of New York as the governing law contained in the Loan Documents.

(3) The Mortgage will create the lien it purports to create on the property covered by the Mortgage and will effectively assign the leases purported to be assigned thereby if the Mortgage and any necessary UCC-1 financing statements are recorded or filed, as the case may be, and specifying local law requirements as to (1) the manner in which, and offices where, such recording and filing must be made and (2) the re-recording of the Mortgage and re-filing of the financing statements, all in order to establish, preserve and protect such lien and assignment and Lender's interest in the property covered by the Mortgage.

(4) In the event of a foreclosure or other method of enforcement of the remedies provided for in the Mortgage, any leases of the Mortgaged Property will, at the option of the holder of the Mortgage, remain in full force and effect between the lessees thereunder and such holder or any purchaser of the Mortgaged Property pursuant to such remedial action. The opinion shall state whether the foregoing results as a matter of law or by reason of compliance with Section 1.14(c) of the Mortgage.

(5) All rights of redemption in respect of the Mortgage will be extinguished upon the consummation of a sale of the Mortgaged Property pursuant to any remedial provisions provided for in the Mortgage, [or if the foregoing is not the case, the opinion shall specify the period of time which must expire following such consummation in order for said rights of redemption to be extinguished under local law, and shall state whether the applicable result obtains as a matter of law or pursuant to any waiver provided for in the Mortgage].

(6) There are no changes or additions to the Mortgage and other Loan Documents which are required by local law, and none which are customary in local

practice and which would not unreasonably enhance the rights and benefits of Lender thereunder.

(7) To such other effects as Lender or its counsel may reasonably require.

EXHIBIT D

Note

\$ _____

New York, New York
_____, 200____

For value received, RD ABSECON ASSOCIATES, L.P., a Delaware limited partnership ("RD Absecon"), RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP, a Delaware limited partnership ("RD Bloomfield"), RD HOBSON ASSOCIATES, L.P., a Delaware limited partnership ("RD Hobson"), RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP ("RD Village"), a Delaware limited partnership, RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("RD Abington"), ACADIA TOWN LINE, LLC, a Connecticut limited liability company ("Acadia Town Line") and RD METHUEN ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership ("RD Methuen"; RD Absecon, RD Bloomfield, RD Hobson, RD Village, RD Abington, Acadia Town Line and RD Methuen, collectively and individually, as the context requires, "Maker") hereby covenant and promise to pay to the order of [NAME OF LENDER], or its successors or assigns (collectively, "Lender"), at the principal office of BANK OF AMERICA, N.A., located at 1185 Avenue of the Americas, New York, New York 10036 ("Administrative Agent") for the account of the Applicable Lending Office of Lender, the principal sum of _____ Dollars (\$ _____) or, if less, the amount loaned by the Lender under its Loan to Borrower pursuant to the Loan Agreement (as defined below) and actually outstanding, in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Maker also covenants and promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the time and at a rate per annum as provided in the Loan Agreement (as defined below). Any amount or principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the Default Rate. The entities comprising Maker are jointly and severally liable under this Note.

The date and amount of each advance of the Loan made by Lender to Borrower under the Loan Agreement referred to below, and each payment of said Loan, shall be recorded by Lender on its books and, prior to any transfer of this Note (or, at the discretion of Lender, at any other time), may be endorsed by Lender on the schedule attached hereto and any continuance thereof.

This Note is one of the Notes referred to in the Amended and Restated Revolving Loan Agreement dated as of the date hereof (as the same may be amended or supplemented from time to time, the "Loan Agreement") among Maker, as Borrower, the lenders named therein (including Lender), as Lenders, and Administrative Agent, as

Administrative Agent for Lenders. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

This Note is secured by the various Mortgages which contain, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events. Reference to such of the Mortgages is hereby made for a description of the "Mortgaged Property" encumbered thereby and the rights of Maker and Lenders (including Lender) with respect to such Mortgaged Property.

Maker agrees that it shall be bound by any agreement extending the time or modifying the terms of payment set forth above and in the Loan Agreement, made by or on behalf of Lenders and the owner or owners of the Mortgaged Property, whether with or without notice to Maker, and Maker shall continue liable to pay the amount due hereunder in accordance with the terms set forth herein and in the Loan Agreement, but with interest at a rate no greater than the rate of interest provided therein, according to the terms of any such agreement of extension or modification.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or any other court proceeding (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon default, Maker agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note shall be governed by the Laws of the State of New York (without giving effect to New York's principles of conflicts of law), provided that, as to the maximum lawful rate of interest which may be charged or collected, if the Laws applicable to Lender permit it to charge or collect a higher rate than the Laws of the State of New York, then such Law applicable to Lender shall apply to Lender under this Note.

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the date first above written.

[NAME OF BORROWER]

By _____
Name:
Title:

Date

Amount of Advance

Amount of Payment

Balance
Outstanding

Notation By

EXHIBIT E-1

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

This Certificate is furnished pursuant to Section 6.11(3) of that certain Amended and Restated Revolving Loan Agreement dated December 19, 2006 (the "Loan Agreement") by and among RD ABSECON ASSOCIATES, L.P., RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP, RD HOBSON ASSOCIATES, L.P., RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP, RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, ACADIA TOWN LINE, LLC and RD METHUEN ASSOCIATES LIMITED PARTNERSHIP (collectively and individually, as the context requires, "Borrower") and BANK OF AMERICA, N.A. (in its individual capacity and not as Administrative Agent, "BofA") and BofA, in its capacity as Administrative Agent, Section 6.11(3) of which Loan Agreement was agreed to and acknowledged by ACADIA REALTY LIMITED PARTNERSHIP ("Guarantor"). Capitalized terms used in this Certificate and Schedule 1 attached hereto, unless otherwise defined herein or in said Schedule 1, have the meanings given to them in the Loan Agreement.

The undersigned, the ___ of Guarantor, hereby certifies to Lender that Schedule 1 attached hereto sets forth the financial data and computations relating to Guarantor's compliance with the Liquidity Requirement, which data and computations, to the best knowledge and belief of the undersigned, are true, complete and correct.

The undersigned certifies that he/she is authorized to execute and deliver this Certificate on behalf of Guarantor.

WITNESS my hand this ___ day of ___, ___.

Name:

EXHIBIT E-2

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

This Certificate is furnished pursuant to Section 6.11(3) of that certain Amended and Restated Revolving Loan Agreement dated December 19, 2006 ("Loan Agreement") by and among RD ABSECON ASSOCIATES, L.P., RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP, RD HOBSON ASSOCIATES, L.P., RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP, RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, ACADIA TOWN LINE, LLC and RD METHUEN ASSOCIATES LIMITED PARTNERSHIP (collectively and individually, as the context requires, "Borrower") and BANK OF AMERICA, N.A. (in its individual capacity and not as Administrative Agent, "BofA") and BofA, in its capacity as Administrative Agent, Section 6.11(3) of which Loan Agreement was agreed to and acknowledged by ACADIA REALTY LIMITED PARTNERSHIP ("Guarantor"). Capitalized terms used in this Certificate and Schedule 1 attached hereto, unless otherwise defined herein or in said Schedule 1, have the meanings given to them in the Loan Agreement.

The undersigned, the ___ of Guarantor, hereby certifies to Lender that Schedule 1 attached hereto sets forth the audited financial data and computations relating to Guarantor's compliance with the Net Worth Requirement and the Liquidity Requirement, which data and computations, to the best knowledge and belief of the undersigned, are true, complete and correct.

The undersigned certifies that he/she is authorized to execute and deliver this Certificate on behalf of Guarantor.

WITNESS my hand this ___ day of _____, ____.

Name:

EXHIBIT F
AUTHORIZATION LETTER

_____, 2006

[Name and address of Administrative Agent]

Re: Amended and Restated Revolving Loan Agreement dated as of December 19, 2006 (the "Loan Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement) among us, as Borrower, the Lenders named therein, and you, as Administrative Agent for said Lenders

Dear Sir/Madam:

In connection with the captioned Loan Agreement, we hereby designate any of the following persons to give to you instructions, including notices required pursuant to the Loan Agreement, orally, by telephone or teleprocess, or in writing:

Michael Nelsen
Robert Masters
Richard Hartmann
Jon Grisham

Instructions may be honored on the oral, telephonic, teleprocess or written instructions of anyone purporting to be any one of the above designated persons even if the instructions are for the benefit of the person delivering them. We will furnish you with written confirmation of each such instruction signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you, but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents.

You and Lenders shall be fully protected in, and shall incur no liability to us for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you or Lenders be liable for special, consequential or punitive damages. In addition, we agree to hold you and Lenders and your and their respective agents harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that we provide to you in connection with the Loan Agreement except for liability, loss or expense occasioned by your gross negligence or willful misconduct.

Upon notice to us, you may, at your option, refuse to execute any instruction, or part thereof, without incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that we have agreed to in writing.

We will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no longer be authorized.

Very truly yours,

[BORROWERS]

By _____
Name:
Title:

EXHIBIT G

SOLVENCY CERTIFICATE

The person executing this certificate is the Senior Vice President and/or Chief Financial Officer of Acadia Realty Trust, the General Partner of Acadia Realty Limited Partnership, sole member of Acadia Property Holdings, LLC, the General Partner of ____, a ____ ("Borrower"), and is familiar with its properties, assets and businesses, and is duly authorized to execute this certificate on behalf of Borrower pursuant to Section 4.01(2) of the Amended and Restated Revolving Loan Agreement dated the date hereof (the "Loan Agreement") among Borrower along with certain affiliated co-borrowers, the lenders party thereto (each a "Lender" and collectively, "Lenders") and Bank of America, N.A., as administrative agent for Lenders (in such capacity, together with its successors in such capacity, "Administrative Agent"). In executing this Certificate, such person is acting solely in his or her capacity as the Senior Vice President and/or Chief Financial Officer of Borrower, and not in his or her individual capacity. Unless otherwise defined herein, terms defined in the Loan Agreement are used herein as therein defined.

The undersigned further certifies that he has carefully reviewed the Loan Agreement and the other Loan Documents and the contents of this Certificate and, in connection herewith, has made such investigation and inquiries as he deems reasonably necessary and prudent therefor. The undersigned further certifies that the financial information and assumptions which underlie and form the basis for the representations made in this Certificate were reasonable when made and were made in good faith and continue to be reasonable as of the date hereof.

The undersigned understands that Administrative Agent and Lenders are relying on the truth and accuracy of this Certificate in connection with the transactions contemplated by the Loan Agreement.

The undersigned certifies that Borrower is Solvent.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on _____, 2006.

By _____
Name:
Title:

SCHEDULE A

Payment Date	Annual Loan Amount Reduction/ Amortization Payment
October 1, 2007	\$ 981,828
October 1, 2008	\$1,063,319
October 1, 2009	\$1,151,574
October 1, 2010	\$1,247,154
October 1, 2011	\$1,350,668
October 1, 2012	\$1,462,772
October 1, 2013	\$1,584,182

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FIRST AMENDMENT TO
AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

dated as of February ___, 2007

between

BANK OF AMERICA, N.A.,
as a Lender and Arranger
("Lender"),

BANK OF AMERICA, N.A.,
as Administrative Agent
("Administrative Agent")

and

RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP ("RD Abington"),
ACADIA TOWN LINE, LLC ("Acadia Town Line"),
RD METHUEN ASSOCIATES LIMITED PARTNERSHIP ("RD Methuen"),
RD ABSECON ASSOCIATES, L.P. ("RD Absecon"),
RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP ("RD Bloomfield"),
RD HOBSON ASSOCIATES, L.P. ("RD Hobson"),

and

RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP ("RD Village"),
as Borrowers

(RD Abington, Acadia Town Line, RD Methuen, RD Absecon, RD Bloomfield,
RD Hobson and RD Village, individually and collectively, as the context requires, "Borrower")

FIRST AMENDMENT TO
AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING LOAN AGREEMENT (this "Amendment") dated as of February ____, 2007 by and among RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("RD Abington"), ACADIA TOWN LINE, LLC, a Connecticut limited liability company ("Acadia Town Line"), RD METHUEN ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership ("RD Methuen"), RD ABSECON ASSOCIATES, L.P., a Delaware limited partnership ("RD Absecon"), RD BLOOMFIELD ASSOCIATES, LIMITED PARTNERSHIP, a Delaware limited partnership ("RD Bloomfield"), RD HOBSON ASSOCIATES, L.P., a Delaware limited partnership ("RD Hobson") and RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("RD Village"; RD Abington, Acadia Town Line, RD Methuen, RD Absecon, RD Bloomfield, RD Hobson and RD Village, collectively and individually, as the context requires, "Borrower") and BANK OF AMERICA, N.A. (in its individual capacity and not as Administrative Agent, "BofA"; BofA and each other lender who may become a Lender pursuant to Section 8.07, each, a "Lender" and collectively, "Lenders") and BANK OF AMERICA, N.A., as Administrative Agent for Lenders (together with its successors in such capacity, "Administrative Agent").

WITNESSETH:

WHEREAS, Lender, Administrative Agent and Borrower are all of the parties to that certain Amended and Restated Revolving Loan Agreement dated as of December 19, 2006 (the "Loan Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings attached to them in the Loan Agreement); and

WHEREAS, Lenders, Administrative Agent and Borrower have agreed to modify the Loan Agreement in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, Borrower, Administrative Agent and Lenders hereby agree as follows:

ARTICLE IX The definition of "Special Holdback" in Section 1.01 of the Loan Agreement is hereby deleted in its entirety and replaced with the following new definition:

“ ‘Special Holdback’ — \$1,330,000, provided, however, that the Special Holdback shall be \$0 (zero) if, as and when RD Bloomfield delivers to Administrative Agent an estoppel from Circuit City Stores, Inc. ('CC') certifying that, pursuant to the lease between RD Bloomfield and CC, RD Bloomfield has completed 'Landlord's Work' under such lease, CC has accepted occupancy of the demised premises, has opened for business to the public therein and has received

all required 'Landlord Reimbursements' thereunder and that there is no default under such lease.”

ARTICLE X Except as modified hereby, the Loan Agreement remains unmodified and in full force and effect. Borrower hereby acknowledges that it is justly indebted to Lender under the Loan Agreement, and reaffirms its representations, warranties, agreements and covenants set forth in the Loan Agreement and the other Loan Documents, as modified hereby.

ARTICLE XI Borrower represents and warrants that there exist no defenses, offsets or counterclaims with respect to its obligations under any of the Loan Documents.

ARTICLE XII Borrower agrees to pay Lender's costs and expenses, including, without limitation, reasonable attorneys' fees and expenses in connection with the preparation, execution and delivery of this Amendment.

ARTICLE XIII The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns.

ARTICLE XIV This Amendment and the rights and obligations of the parties hereto shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of New York (without giving effect to New York's choice of law principles).

ARTICLE XV This Amendment may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the day and year first above written, intending the same to take effect as a sealed instrument. The execution hereof by Borrower, Administrative Agent and Lenders constitutes a certification by the party or parties executing on its behalf that each of them duly holds and is incumbent in the position indicated under his or her name.

BANK OF AMERICA, N.A. (as Lender and
Administrative Agent)

By _____
Denise M. Smyth
Senior Vice President

RD BLOOMFIELD ASSOCIATES, LIMITED
PARTNERSHIP, a Delaware limited partnership
RD HOBSON ASSOCIATES, L.P., a Delaware limited
partnership
RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP,
a Delaware limited partnership
RD ABINGTON ASSOCIATES LIMITED
PARTNERSHIP, a Delaware limited partnership
RD METHUEN ASSOCIATES LIMITED
PARTNERSHIP, a Massachusetts limited partnership

By: Acadia Property Holdings, LLC, its general
partner

By: Acadia Realty Limited Partnership, its sole
member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

RD ABSECON ASSOCIATES, L.P., a Delaware limited partnership

By: RD Absecon, Inc., a Delaware corporation, its general partner

By _____
Robert Masters
Senior Vice President

ACADIA TOWN LINE, LLC, a Connecticut limited liability company

By: Acadia Realty Limited Partnership, a Delaware limited partnership, its sole member

By: Acadia Realty Trust, a Maryland real estate investment trust, its general partner

By _____
Robert Masters
Senior Vice President

LOAN AGREEMENT

dated as of December 19, 2006

between

BANK OF AMERICA, N.A.
("Lender")

Address of Lender: 1185 Avenue of the Americas, 16th Floor
New York, New York 10036

BANK OF AMERICA, N.A., as Administrative Agent
("Administrative Agent")

Address of Lender: 1185 Avenue of the Americas, 16th Floor
New York, New York 10036

and

RD BRANCH ASSOCIATES, L.P.
("Borrower"),

Address of Borrower: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605

LOCATION OF MORTGAGED PROPERTY:

The Branch Plaza Property located on Route 25 in Smithtown, New York

THIS LOAN AGREEMENT (“this Agreement”) dated as of December 19, 2006 by and among RD BRANCH ASSOCIATES, L.P. (“Borrower”) and BANK OF AMERICA, N.A. (in its individual capacity and not as Administrative Agent, “BofA”) and each other lender who may become a Lender pursuant to Section 8.07, each, a “Lender” and collectively, “Lenders”) and BANK OF AMERICA, N.A., as Administrative Agent for Lenders (together with its successors in such capacity, “Administrative Agent”).

WHEREAS, BofA is the holder of that certain Severed Note made by Borrower in favor of BofA dated the date hereof in the amount of \$15,000,000 (the “Existing Note”), which was made pursuant to that certain Note Modification and Severance Agreement between Borrower, certain affiliates of Borrower and BofA dated the date hereof; and

WHEREAS, Borrower has requested, and Lender and Administrative Agent have agreed, subject to the terms and conditions hereof, to make an additional loan to Borrower in the amount of \$1,000,000 to be evidenced by a note dated the date hereof made by Borrower to Lender in the amount of \$1,000,000 (the “New Note”) and Lender is prepared to do so on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, Borrower, Administrative Agent and Lenders hereby agree that this Agreement consolidates, amends and restates the Existing Note and the New Note in their entirety such that from and after the date hereof the Loan shall be evidenced, administered and repaid pursuant to and in accordance with the following terms:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. The following terms, as used in this Agreement, shall have the following meanings:

“Additional Interest” — Any and all sums that shall become due and payable by Borrower under the Hedging Agreement.

“Anchors” — North Fork Bank and A&P Grocery.

“Applicable Lending Office” — For each Lender and for the portions of the outstanding principal balance under its Note bearing interest at the Prime Based Rate or LIBO Based Rate, as applicable, the lending office of such Lender (or of an affiliate of such Lender) designated as such on the signature page hereof or in the applicable Assignment and Assumption Agreement, or such other office of such Lender (or of an affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent and Borrower as the office by the portions of the outstanding principal balance under its Note bearing interest at the Prime Based Rate or LIBO Based Rate, as applicable, are to be made and maintained.

“Applicable Margin” — With respect to the Prime Based Rate, 0.50% per annum; and with respect to the LIBO Based Rate, 1.30% per annum.

“Assignee” — Has the meaning specified in Section 8.07.

“Assignment and Assumption Agreement” — An Assignment and Assumption Agreement, substantially in the form of EXHIBIT A, pursuant to which a Lender assigns and an Assignee assumes rights and obligations in accordance with Section 8.07.

“Authorization Letter” — The letter in the form of EXHIBIT F.

“Business Day” — Any day on which commercial banks are not authorized or required to close in New York City; and, whenever such day relates to a LIBOR Amount, an Interest Period with respect to a LIBOR Amount, or notice with respect to a LIBOR Amount, any such day in which dealings in Dollar deposits are also carried out in the London interbank market and banks are also open for business in London.

“Code” — The Internal Revenue Code of 1986.

“Counterparty” — Bank of America, N.A., in its capacity as a party to the Hedging Agreement, and its successors and assigns in such capacity.

“Default” — Any event or circumstance which, with the giving of notice or the passage of time, or both, would become an Event of Default.

“DSC Test” — Has the meaning set forth in Section 2.04 of this Agreement.

“Dollars” and “\$” — Lawful money of the United States of America.

“Employee Benefit Plan” — Any employee benefit or other plan established or maintained, or to which contributions have been made, by Borrower or Guarantor.

“ERISA” — The Employee Retirement Income Security Act of 1974, including the rules and regulations promulgated thereunder.

“ERISA Affiliate” — Any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as Borrower and/or Guarantor, or any trade or business which is under common control (within the meaning of Section 414(c) of the Code) with Borrower and/or Guarantor, or any organization which is required to be treated as a single employer with Borrower and/or Guarantor under Section 414(m) or 414(o) of the Code.

“Event of Default” — Has the meaning given to such term in the Mortgage.

“Existing Note” — Has the meaning specified in the preamble hereto.

“Fiscal Year” — The calendar year or such other annual period as Borrower and Administrative Agent may mutually agree upon.

“Financial Statements” — Statements of the assets, liabilities (direct or contingent), income, expenses and cash flow of Borrower and Guarantor, prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time and consistently applied.

“Governmental Authorities” — The United States, the state in which the Property is located and any political subdivision, agency, department, commission, board, bureau or instrumentality of either of them, including any local authorities, which exercises jurisdiction over Borrower, Guarantor, the Property or the Improvements.

“Guarantor” — Jointly and severally, Acadia Realty Limited Partnership, a Delaware limited partnership and any other person(s) or entity(ies) who may hereafter become a guarantor of any or all of Borrower’s obligations in respect of the Loan.

“Guaranty” — The guaranty(ies) of all or part of Borrower’s obligations, to be executed by Guarantor.

“Hazardous Materials” — Has the meaning given to such term in the Mortgage.

“Hedging Agreement” — Any ISDA Master Agreement or other documentation with respect to an interest rate hedging transaction entered into by and between Borrower and Counterparty, as may be amended, modified or supplemented from time to time, including any and all “confirmations” under any thereof.

“Improvements” — A one story neighborhood shopping center containing 125,840 square feet with respect to the Branch Plaza Property.

“Indemnity” — An agreement from Borrower and Guarantor or, if there is no Guarantor, such other persons or entities as shall be satisfactory to Lender, whereby, among other things, Lender is indemnified regarding Hazardous Materials.

“Individual Loan Commitment” — With respect to each Lender, the amount set forth below opposite the name of such Lender (subject to change in accordance with the terms of this Agreement).

Lender	Individual Loan Commitment
BofA	\$16,000,000

“Insolvency Event” — The occurrence of any of the Events of Default described in clauses (d) through (h) of the Mortgage.

“Interest Period” — The period during which interest at the LIBO Based Rate, determined as provided in this Agreement, shall be applicable to the LIBO Rate Request Amount in question, provided, however, that each such period shall be either one (1), two (2), three (3) (or, if available, four (4), or six (6)) months, which shall be measured from the date specified by Borrower in each LIBO Rate Request for the commencement of the computation of interest at the LIBO Based Rate, to the numerically corresponding day in the calendar month in which such period terminates (or, if there be no numerical correspondent in such month, or if the date selected by Borrower for such commencement is the last Business Day of a calendar month, then the last Business Day of the calendar month in which such period terminates, or if the numerically corresponding day is not a Business Day then the next succeeding Business Day, unless such next succeeding Business Day enters a new calendar month, in which case such period shall end on the next preceding Business Day) and in no event shall any such period extend beyond the Maturity Date.

“Law” — Any federal, state or local law, statute, rule, regulation, ordinance, order, decree, directive, requirement, code, notice of violation or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, determination, consent decree or judgment.

“Lender Reply Period” — Has the meaning specified in Section 8.06.

“Lender’s Counsel” — Schiff Hardin LLP, 623 Fifth Avenue, 28th Floor, New York, New York 10022.

“LIBO Based Rate” — With respect to any LIBOR Amount, the rate per annum (expressed as a percentage) determined by Administrative Agent to be equal to the sum of (i) the quotient of the LIBO Rate for the LIBOR Amount and Interest Period in question divided by [1 minus the Reserve Requirement] (at Administrative Agent’s option, rounded up, if necessary, to the nearest 1/100 of 1%) and (ii) the Applicable Margin.

“LIBO Rate” — With respect to any applicable Interest Period, the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Administrative Agent from time to time) at approximately 11:00 a.m. London time two (2) Business Days before the commencement of such Interest Period, for deposits in U.S. Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the rate for that Interest Period will be determined by such alternate method as reasonably selected by Administrative Agent.

“LIBO Rate Request” — Borrower’s telephonic notice (to be promptly confirmed in writing), to be received by Administrative Agent by 12 Noon (New York time) three (3) Business Days prior to the date specified in the LIBO Rate Request for the commencement of the Interest Period (which specified date must be a Business Day), of (a) its intention to have (i) all or any portion of the Principal Amount which is not then the subject of an Interest Period (other than an Interest Period which is terminating on the Business Day specified in the notice) and/or (ii) all or any portion of any advance of proceeds of the Loan evidenced by the Notes which is to be made on the Business Day specified in such notice, bear interest at the LIBO Based Rate and (b) the Interest Period desired by Borrower in respect of the amount specified, which notice shall be promptly communicated by Administrative Agent to each Lender.

“LIBO Rate Request Amount” — The amount, to be specified by Borrower in each LIBO Rate Request, which Borrower desires bear interest at the LIBO Based Rate and which, at Administrative Agent’s option, shall be an integral multiple of \$100,000.

“LIBOR Amount” — All or any portion (as the context requires) of any Lender’s Loan which shall accrue interest at the LIBOR Based Rate.

“Liquidity Requirement” — Has the meaning specified in Section 4.01(d)(18).

“Loan” — The loan in the Loan Amount made by Lender to Borrower under this Agreement.

“Loan Amount” — \$16,000,000.

“Loan Documents” — This Agreement, the Note, the Mortgage, the Indemnity, the Authorization Letter, Uniform Commercial Code financing statements in respect of the Mortgaged Property and any other collateral given to Lender as security for the Loan, and any other documents which evidence or secure the Loan.

“Loan to Value Test” — Has the meaning set forth in Section 2.03 of this Agreement.

“Major Lease” — Any lease for space in excess of 5,000 square feet of the rentable area of the Improvements.

“Material Adverse Change” means either (1) a material adverse change in the status of the business, results of operations, financial condition, property or prospects of Borrower or (2) any event or occurrence of whatever nature which is likely to (x) have a material adverse effect on the ability of Borrower to perform its obligations under the Loan Documents or (y) create, in the sole and absolute judgment (reasonably exercised) of Lender, a material risk of sale or forfeiture of any of the Mortgaged Property (other than an immaterial portion thereof) under any Mortgage or otherwise materially impair any of the Mortgaged Property under any Mortgage or Lenders’ rights therein.

“Maturity Date” — December 1, 2011.

“Mortgage” — Collectively, (i) that certain leasehold mortgage, assignment of leases and rents and security agreement dated the date hereof from Borrower to Administrative Agent (the “New Mortgage”) and (ii) those certain mortgage(s), assignments of leases and rents and security agreements described in, and modified by, that certain Mortgage Modification Agreement, dated the date hereof, by and between Borrower and Administrative Agent (the “Existing Mortgage”), all to secure the payment and performance of Borrower’s obligations hereunder, under the Note and otherwise in respect of the Loan.

“Mortgaged Property” means, for each Property, the Property, the Improvements thereon and all other property constituting the “Mortgaged Property”, as said quoted term is defined in the applicable Mortgage.

“Multiemployer Plan” — Any plan defined as such in Section 3(37) of ERISA.

“Net Operating Income”

(a) all revenues from the ownership, use, occupancy, leasing and operation of the Property during the period in question, determined in accordance with GAAP (but adjusted to eliminate the effects of straight-lining of rents and further adjusted to exclude extraordinary and non-recurring sources of income), including all rental and other payments, including, without limitation, base rent, additional rent, promotional revenues, percentage rent and payments for common area maintenance, taxes, insurance and operating expenses and proceeds of rental loss or business interruption service, excluding tenant security deposits collected but not applied to tenants’ obligations, and interest on such deposits;

minus

(b) all expenses in connection with the Property during such period, determined in accordance with GAAP, including insurance premiums, real estate taxes, promotional expenses, maintenance and repair expenses, management fees and any other operational expenses, all as determined in accordance with GAAP, but not including debt service payable under the Loan.

“Net Worth Requirement” — Has the meaning specified in Section 4.01(d)(18).

“New Note” — Has the meaning specified in the preamble hereto.

“Note”; **“Notes”** — Have the respective meanings specified in Section 2.06.

“Participant”; **“Participation”** — Have the respective meanings specified in Section 8.07.

“Pension Plan” — Any employee pension benefit plan within the meaning of Section 3(2) of ERISA with respect to which Borrower, Guarantor or any ERISA Affiliate at any relevant time has liability or an obligation to contribute.

“Person” — An individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity of whatever nature.

“Premises Documents” — Has the meaning given to such term in the Mortgage.

“Prime Based Rate” — The Applicable Margin plus the greater of (i) the Federal Funds Rate plus 1/2 of 1% per annum or (ii) the prime commercial lending rate as announced from time to time by Administrative Agent at Administrative Agent’s Office (it being understood that said “prime commercial lending rate” is a reference rate and does not necessarily represent the lowest or best rate being charged to customers), each change in said rates to be effective, without notice or demand of any kind, as of the date of such change.

“Principal Amount” — At any time, the aggregate outstanding principal amount of the Notes.

“Property” — The leasehold interest in real property located on Route 25 in Smithtown, New York owned by Branch Borrower.

“Pro Rata Share” — With respect to each Lender, the ratio of such Lender’s Individual Loan Commitment to the Loan Amount. As of the date hereof, the Lenders’ respective Pro Rata Shares are as follows:

Lender	Pro Rata Share
BofA	100%

“Regulation D” and “Regulation U” — Respectively, Regulation D and Regulation U of the Board of Governors of the Federal Reserve System.

“Regulatory Change” — With respect to any Lender and the charging and collecting of interest at the LIBO Based Rate, any change after the date hereof in federal, state or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Lender under any federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof, excluding any change the effect of which is reflected in a change in the LIBO Based Rate.

“Required Lenders” — At any time, those Lenders holding at least 66-2/3% of the Principal Amount.

“Reserve Requirement” — The rate at which reserves (including any marginal, supplemental or emergency reserves) are actually required to be maintained by any Lender or any Lender’s respective Participants, if any, under Regulation D against “Euro-Currency Liabilities”, as such quoted term is used in Regulation D.

Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lender or any Lender's respective Participants, if any, by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO Based Rate is to be determined as provided in this Agreement or (ii) any category of extensions of credit or other assets which includes loans the interest rate on which is determined on the basis of rates used in determining the LIBO Rate.

"Requisition" — A written statement by or on behalf of Borrower, in form and substance satisfactory to Administrative Agent, setting forth the amount of the Loan advance requested and instructions for the payment of the same, and certifying the purpose for which such advance is to be used.

"Supplemental Fee Letter" — That certain letter agreement, dated the date hereof, between BofA and Borrower, providing for Borrower's payment to Administrative Agent and/or BofA on the date hereof and from time to time hereafter certain fees in connection with the Loan, each such fee to be for Administrative Agent's and/or BofA's own account.

"Title Insurer" — The issuer(s), approved by Administrative Agent, of the title insurance policy or policies insuring the Mortgage.

"Treasury Rate" — The yield rate (i) on the 10 year U.S. Treasury Security due on or closest to the Maturity Date (as defined in the Note), as such yield rate is reported in the Wall Street Journal on the second Business Day preceding the date of calculation.

"Unrestricted Cash and Cash Equivalents" means the following assets of Guarantor, in each case, not subject to any lien, security interest or restriction: (i) cash, (ii) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than six (6) months from the date of acquisition, (iii) shares of money market funds invested in the securities described in clause (ii) above and (iv) Dollar denominated demand deposits, time deposits or certificates of deposit of any domestic United States commercial bank whose long-term debt is rated at least A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or A2 by Moody's Investors Service, Inc. and having capital and surplus in excess of \$500,000,000.

Section 1.02. **Rules of Construction.** Except as expressly provided otherwise, when used in this Agreement (i) "or" is not exclusive, (ii) "hereunder", "herein", "hereof" and the like refer to this Agreement as a whole, (iii) "Article", "Section", "Schedule" and "Exhibit" refer to Articles, Sections, Schedules and Exhibits of this Agreement, (iv) terms defined in the singular shall have a correlative meaning when used in the plural and vice versa, (v) a reference to a Law includes any amendment, modification or supplement to, or replacement of, such Law and (vi) a reference to a document shall mean such

document as the same may be amended, modified or supplemented from time to time in accordance with its terms. The cover page and the Exhibits and Schedules, if any, annexed hereto are incorporated as a part of this Agreement with the same effect as if set forth in the body hereof. Any table of contents and all captions and headings herein are for convenience only and shall not affect the interpretation or construction hereof.

ARTICLE II

THE LOAN

Section 2.01. Generally. Subject to the provisions of this Agreement, and on the basis of the representations, warranties and covenants made herein and in the other Loan Documents, each Lender severally agrees to advance its Pro Rata Share of the Loan and Borrower will accept the Loan Amount in periodic disbursements as hereinafter set forth and upon the satisfaction of the conditions set forth in Article IV hereof.

Section 2.02. Nature of Lenders' Obligations. The obligations of Lenders under this Agreement are several, and no Lender shall be responsible for the failure of any other Lender to make any advance of the Loan to be made by such other Lender. However, the failure of any Lender to make any advance of the Loan to be made by it hereunder on the date specified therefor shall not relieve any other Lender of its obligation to make any advance of its portion of the Loan specified hereby to be made on such date.

Section 2.03. Purpose. The Loan shall be made for the business purpose of financing the Mortgaged Property. Borrower covenants and agrees that in no event shall proceeds of the Loan, or any part thereof, be used, directly or indirectly, for any other purpose, for any illegal purpose or for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or in connection with any hostile acquisition or for any illegal purpose.

Section 2.04. Advances. The portion of the Loan heretofore evidenced by the Existing Note has been advanced and the outstanding principal balance thereof is \$15,000,000. The \$1,000,000 portion of the Loan to be initially evidenced by the New Note shall be advanced in a single advance in the amount of \$1,000,000 and shall be made upon satisfaction of the conditions set forth in Section 4.01.

Section 2.05. Intentionally Omitted.

Section 2.06. Notes. From and after the date hereof, the Existing Note and the New Note are hereby modified and restated by, and the Loan shall be evidenced by notes of Borrower in the form of EXHIBIT D, duly completed and executed by Borrower (with a separate note or notes for each Lender in an aggregate amount equal to such Lender's Individual Loan Commitment, payable for the account of such Lender's Applicable Lending Office), in an aggregate principal amount equal to the Loan Amount (such notes, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time (including, without limitation, any

substitute notes pursuant to Section 8.07), each, a “Note” and collectively, the “Notes”). The Existing Note, as modified hereby, shall be severed by, among other things, the Existing Mortgage. The New Note shall be secured by, among other things, the New Mortgage. The Notes shall mature, and all outstanding principal and other sums thereunder shall be paid in full, on the Maturity Date, as the same may be accelerated or extended.

In case of any loss, theft, destruction or mutilation of any Lender’s Note, Borrower shall, upon its receipt of an affidavit of an officer of such Lender as to such loss, theft, destruction or mutilation and an appropriate indemnification, execute and deliver a replacement Note to such Lender in the same principal amount and otherwise of like tenor as the lost, stolen, destroyed or mutilated Note.

Section 2.07. Payments and Distributions. Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 a.m. (New York time) on the date when due to Administrative Agent at Administrative Agent’s Office in immediately available funds. Administrative Agent will thereafter, on the day of its receipt of each such payment, cause to be distributed to each Lender such Lender’s appropriate share (based upon the respective outstanding principal amounts of the Notes and the respective rates of interest thereunder) of the payments of principal and interest, and its appropriate share of the payments of other sums, in like funds for the account of such Lender’s Applicable Lending Office. Payments by Borrower hereunder or under the Notes or other Loan Documents shall be made without setoff or counterclaim.

Except to the extent otherwise provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest and, if applicable, fees, as the case may be.

Each Lender’s interest in the Loan shall be of equal priority with the interest of each other Lender.

Section 2.08. Interest. Borrower shall have the option, subject to the terms and conditions set forth in this Agreement, of paying interest on the Principal Amount or portions thereof at the Prime Based Rate or the LIBO Based Rate. If Borrower desires the application of the LIBO Based Rate, it shall submit a LIBO Rate Request to Administrative Agent, which LIBO Rate Request shall be irrevocable, subject to Borrower’s right to convert the rate of interest payable under the Notes with respect to any LIBOR Amount from the LIBO Based Rate to the Prime Based Rate as provided in Section 2.10. Administrative Agent shall, on the day of its receipt of the LIBO Rate Request from Borrower, notify each Lender by either telephone or by facsimile of the specified LIBOR Amount and the amount of the Lender’s portion thereof, the Interest Period and date of commencement thereof, and the interest rate applicable to such LIBOR Amount. Each LIBO Rate Request shall be applicable to the Notes in accordance with the Lenders’ respective Pro Rata Shares, so that, barring a conversion or suspension of the LIBO Based Rate by one or more, but not all, Lenders, pursuant to Article III, the

outstanding principal amounts of each of the Notes shall contain segments bearing interest at the Prime Based Rate and/or LIBO Based Rate(s) under particular Interest Period(s), each of which segments shall correspond to a proportional segment of the outstanding principal amount of every other Note. In the event that Borrower fails to submit a LIBO Rate Request with respect to a LIBOR Amount not later than 12 Noon (New York time) three (3) Business Days prior to the last day of the relevant Interest Period, the LIBOR Amount in question shall bear interest, commencing at the end of such Interest Period, at the Prime Based Rate.

Interest shall be computed on an actual/360-day basis (i.e., interest for each day during which any portion of the Principal Amount is bearing interest at a particular interest rate per annum shall be computed at such rate divided by 360).

Borrower shall pay interest on the Principal Amount to Administrative Agent for the account of Lenders. Interest on the Principal Amount shall be payable, in arrears, monthly on the first day of the first month following the date hereof and on the first day of each month thereafter until the Notes are repaid in full.

Section 2.09. Limitation on Number of Interest Periods. Borrower shall not have the right to have more than five (5) Interest Periods, in the aggregate, in respect of the Loan in effect at any one time, whether or not any portion of the Principal Amount is then bearing interest at the Prime Based Rate.

Section 2.10. Conversions of Interest Rate. Provided there exists no Event of Default, Borrower shall have the right to convert, from time to time, the rate of interest payable under the Notes with respect to any portion of the Principal Amount to the LIBO Based Rate or the Prime Based Rate, subject to the terms of this Agreement (including, without limitation, the payment of all amounts due in connection with any such conversion from the LIBO Based Rate on a date other than the last day of an applicable Interest Period) and provided that, in the case of a conversion from the LIBO Based Rate, the entire LIBOR Amount is the subject of the conversion. Conversions shall be accomplished (i) in the case of a conversion from the Prime Based Rate to the LIBO Based Rate, by Borrower's submission of a LIBO Rate Request in accordance with Section 2.08 or (ii) in the case of a conversion from the LIBO Based Rate to the Prime Based Rate, by Borrower's request to Administrative Agent by telephone (to be promptly confirmed in writing), to be received by Administrative Agent at least three (3) Business Days prior to the date specified for such conversion, specifying the LIBOR Amount with respect to which the interest rate is to be converted and the date of the conversion. On the date of its receipt of such request, Administrative Agent shall notify each Lender thereof either by telephone or by facsimile.

Section 2.11. Inapplicability of LIBO Based Rate. Any portion of the Principal Amount to which the LIBO Based Rate is not or cannot pursuant to the terms of this Agreement be applicable shall bear interest at the Prime Based Rate. Upon the occurrence of an Event of Default, the entire Principal Amount shall, at the option of the Required Lenders, immediately and without notice to Borrower, bear interest at the Prime Based Rate. In addition, following the occurrence of an Event of Default, Borrower shall

have no right to submit a LIBO Rate Request with respect to any LIBOR Amount for which the current Interest Period is expiring. The foregoing provisions shall not be construed as a waiver by Lenders of their right to pursue any other remedies available to them under the Mortgage or any other Loan Document nor shall they be construed to limit in any way the application of the Default Rate as provided in the Mortgage.

Section 2.12. Late Payment Premium. Borrower shall pay to Administrative Agent for the account of Lenders a late payment premium in the amount of 5% of any payments of principal or interest under the Loan made more than ten (10) days after the due date thereof, which late payment premium shall be due with any such late payment.

Section 2.13. Voluntary Prepayments. Borrower may, upon at least fifteen (15) Business Days' notice (which notice shall be irrevocable) to Administrative Agent, prepay the Principal Amount, in whole or part, without premium or penalty; provided, however, that (i) any partial prepayment under this Section shall be in a principal amount of not less than \$1,000,000 and an integral multiple of \$100,000, (ii) prepayment of a LIBOR Amount other than on the last day of the applicable Interest Period shall be subject to the provisions of Section 3.03 and (iii) each prepayment under this Section shall include all interest accrued on the amount of principal prepaid (and all late charges and other sums that may be payable) through the date of prepayment. Amounts prepaid may not be reborrowed.

Section 2.14. Annual Commitment Reduction/Required Amortization. Commencing on the first day of February, 2007 and on the first day of each month thereafter until the Maturity Date, Borrower shall make mandatory principal payments in the amount of \$20,603, each in reduction of the Principal Amount. The aforesaid principal payments shall be applied first to the Principal Amount evidenced by the New Note until repaid in full and then shall be applied to the Principal Amount evidenced by the Existing Note.

Section 2.15. Extension of Maturity. Borrower shall have the right to extend the Maturity Date for a period of one (1) year, to December 1, 2012 (the "First Extension Term"), upon satisfaction of the following conditions: (i) Borrower shall give notice to Administrative Agent of Borrower's election to so extend the Maturity Date no later than thirty (30) days prior to the original Maturity Date and no earlier than ninety (90) days prior to the original Maturity Date, (ii) no Default or Event of Default exists at either the time Borrowers gives notice of its exercise of such extension option or as of the original Maturity Date, (iii) with Borrower's notice exercising such extension option, Borrower shall pay to BofA the extension fee required pursuant to the Supplemental Fee Letter, which fee shall be earned by BofA upon receipt and (iv) without limiting the generality of the foregoing, Borrower shall be in compliance with Section 6.06.

ARTICLE III

YIELD MAINTENANCE ETC.

Section 3.01. Additional Costs and Other Effects of Regulatory Changes; Taxes. Borrower shall pay directly to a Lender, promptly upon demand, such amounts as are necessary to compensate such Lender for Additional Costs resulting from any Regulatory Change which (i) subjects such Lender to any tax, duty or other charge with respect to the Loan or its Note, or changes the basis of taxation of any amounts payable to such Lender under the Loan or its Note (other than taxes imposed on the overall net income of such Lender or of its Applicable Lending Office by the jurisdiction in which such Lender's principal office or such Applicable Lending Office is located), (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender, (iii) imposes on such Lender or, in the case of LIBOR Amounts, on the London interbank market, any other condition affecting the Loan or its Note, or any of such extensions of credit or liabilities or (iv) imposes any capital adequacy requirements on such Lender by virtue of the Loan or the Notes. Such Lender will notify Borrower (with a copy to Administrative Agent) of any event occurring after the date hereof which would entitle it to compensation pursuant to this paragraph as promptly as practicable after it obtains knowledge thereof and determines to request such compensation, and will designate a different Applicable Lending Office for those portions of the Loan affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in such Lender's sole opinion, be disadvantageous to it, provided that such Lender shall have no obligation to so designate an Applicable Lending Office located in the United States.

Without limiting the effect of the immediately preceding paragraph, in the event that, by reason of any Regulatory Change, (i) a Lender incurs Additional Costs based on or measured by the excess above a specified level of the amount of (1) a category of deposits or other liabilities of such Lender which includes deposits by reference to which the LIBO Rate is determined as provided in this Agreement and/or (2) a category of extensions of credit or other assets of such Lender which includes loans the interest on which is determined on the basis of rates referred to in the definition of "LIBO Rate" in Section 1.01, (ii) a Lender becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold or (iii) it shall be unlawful or impossible for a Lender to make or maintain its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate, then such Lender's obligation to make or maintain its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate (and Borrower's right to request the same) shall be suspended and such Lender shall give notice thereof to Borrower (with a copy to Administrative Agent) and, upon the giving of such notice, interest payable on the affected Note shall be converted to the Prime Based Rate, unless such Lender may lawfully continue to maintain its Pro Rata Share of the Loan (or any portion thereof) then bearing interest at the LIBO Based Rate to the end of the current Interest Period(s), at which time the interest rate on the affected Note shall convert to the Prime Based Rate. If subsequent to any conversion to the Prime Based Rate as provided above such Lender determines that such Regulatory Change has ceased

to be in effect, such Lender will so notify Borrower (with a copy to Administrative Agent), and Borrower may convert the rate of interest payable under the affected Note with respect to those portions of the Principal Amount bearing interest at the Prime Based Rate to the LIBO Based Rate by submitting a LIBO Rate Request in respect thereof and otherwise complying with the provisions of this Agreement with respect thereto.

Determinations by each Lender of the existence or effect of any Regulatory Change on its costs of making or maintaining its Pro Rate Share of the Loan, or portions thereof, at the LIBO Based Rate, or on amounts receivable by it in respect thereof, and of the additional amounts required to compensate such Lender in respect of Additional Costs, shall be conclusive, so long as made on a reasonable basis.

Section 3.02. Limitations on Availability of LIBO Based Rate. Anything herein to the contrary notwithstanding, if, at the time of or prior to the determination of the LIBO Based Rate in respect of any LIBO Rate Request Amount as provided in this Agreement, (i) Administrative Agent determines (which determination shall be conclusive, so long as made on a reasonable basis) that by reason of circumstances affecting the London interbank market generally, adequate and fair means do not or will not exist for determining the LIBO Rate applicable to an Interest Period or (ii) a Lender determines (which determination shall be conclusive, so long as made on a reasonable basis) that the LIBO Rate will not accurately reflect the cost to such Lender of making or maintaining its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate, then Administrative Agent, in the case of the circumstances described in clause (i) above, or such Lender, in the case of the circumstances described in clause (ii) above, shall give Borrower prompt notice thereof (with a copy to Administrative Agent in the case of the notice from such Lender), and the LIBO Rate Request Amount in question, in the case of the circumstances described in clause (i) above, or such Lender's portion thereof, in the case of the circumstances described in clause (ii) above, shall bear interest, or continue to bear interest, as the case may be, at the Prime Based Rate. If at any time subsequent to Administrative Agent's or such Lender's giving of such notice, Administrative Agent or such Lender, as the case may be, determines that because of a change in circumstances the LIBO Based Rate is again available to Borrower, Administrative Agent or such Lender, as the case may be, shall so notify Borrower (with a copy to Administrative Agent, in the case of the notice from such Lender) and Borrower may convert the rate of interest payable under the Notes or such Lender's Note, as the case may be, from the Prime Based Rate to the LIBO Based Rate by submitting a LIBO Rate Request in respect thereof and otherwise complying with the provisions of this Agreement with respect thereto.

Section 3.03. Certain Compensation. Borrower shall pay directly to a Lender, immediately upon request and notwithstanding contrary provisions contained in the Mortgage or other Loan Documents, such amounts as shall, in the judgment of such Lender (which shall be conclusive so long as made on a reasonable basis), compensate it for any loss, cost or expense incurred by it as a result of (i) any payment or prepayment (under any circumstances whatsoever, whether voluntary or involuntary) of any portion of the Principal Amount bearing interest at the LIBO Based Rate on a date other than the last day of an applicable Interest Period, (ii) the conversion (for any reason whatsoever,

whether voluntary or involuntary) of the rate of interest payable under such Lender's Note from the LIBO Based Rate to the Prime Based Rate with respect to any portion of the Principal Amount then bearing interest at the LIBO Based Rate on a date other than the last day of an applicable Interest Period, (iii) the failure of all or a portion of an advance of the Loan which was to have borne interest at the LIBO Based Rate pursuant to a LIBO Rate Request to be made, (iv) any failure by Borrower to prepay any portion of the Principal Amount bearing interest at the LIBO Based Rate on the date specified in Borrower's notice of prepayment or (v) the failure of Borrower to borrow, continue or convert in accordance with a LIBO Rate Request submitted by it, which amounts shall include, without limitation, an amount equal the Present Value (determined as hereinafter provided) of the dollar amount which is obtained by multiplying the number of days from the date of the occurrence to the last day of the applicable Interest Period by a number which is calculated by (i) multiplying the amount prepaid, converted, not advanced, not prepaid or not borrowed, as the case may be, by the excess of the LIBO Based Rate applicable thereto over the current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the last day of the applicable Interest Period and (ii) dividing the product thereof by 360. For purposes of this Section, Present Value shall be determined by using the number of days during the period from the date of occurrence to and including the last day of the applicable Interest Period and using the above-referenced United States Treasury security rate. A determination by a Lender as to the amounts payable to it pursuant to this Section shall be conclusive absent manifest error.

Section 3.04. "Lender" to Include Participants. For purposes of this Article III and of the definition of "Additional Costs" in Section 1.01, the term "Lender" shall, at each Lender's option, be deemed to include such Lender's present and future Participants in the Loan to the extent of each such Participant's actual Additional Costs or other losses, costs or expenses payable pursuant to this Article III.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01. Conditions Precedent to Loan. Lenders shall not be obligated to make the Loan until the following conditions shall have been satisfied:

- (a) There shall exist no Default or Event of Default, and no Default or Event of Default would result from the making of the Loan;
- (b) The representations and warranties made to Administrative Agent or Lenders herein, in the other Loan Documents and in any other document, certificate or statement executed or delivered to Administrative Agent or Lenders in connection with the Loan shall be true and correct on and as of the date of the advance of the Loan with the same effect as if made on such date;
- (c) The Improvements shall not have been materially injured or damaged by fire or other casualty; and

(d) Lenders shall have received and approved each of the following:

(1) Loan Fees and Expenses. (i) Payment of the fees required by the Supplemental Fee Letter and (ii) payment of all fees and expenses incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of Lenders' Counsel, Lenders' environmental and insurance consultants, and the preparer of the appraisal required by paragraph (4) below);

(2) Loan Documents. This Agreement and each of the other Loan Documents, duly executed by the parties thereto, and, where applicable, duly acknowledged and in proper form for recording or filing, as the case may be, and all necessary or desirable recordings and filings shall have been duly made;

(3) Financial Statements. Current Financial Statements and such other financial data (including, without limitation, current financial statements of tenants under leases in respect of the Mortgaged Property and of parties to any of the Premises Documents, and of the guarantor(s), if any, of any such tenants or parties) as Administrative Agent shall require;

(4) Appraisal. An independent M.A.I. appraisal of the Property and Improvements complying in all respects with the standards for real estate appraisals established pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989;

(5) Insurance Policies. The policies of insurance required by the Mortgage, together with evidence of the payment of the premiums therefor;

(6) Hazardous Materials Report/Reliance Letter. A detailed report by a properly qualified engineer, which shall include, *inter alia*, a certification that such engineer has obtained and examined a list of prior owners, tenants and other users of all or any portion of the Property or any improvements thereon, and has made an on-site physical examination of the Property, and a visual observation of the surrounding areas, and has found no evidence of past or present Hazardous Materials activities or the presence of Hazardous Materials, together with, if required by Administrative Agent, a "reliance letter" addressed to Administrative Agent with respect to such report;

(7) Title Policy. A paid title insurance policy, in the amount of \$16,000,000 in ALTA 10-17-92 or other form approved by Lender's Counsel with such endorsements as shall be reasonably requested by Lender's Counsel, issued by the Title Insurer which shall insure the Mortgage to be a valid lien on Borrower's interest in the premises free and

clear of all defects and encumbrances except those previously received and approved by Lender's Counsel, and shall contain (i) full coverage against mechanics' liens (filed and inchoate), (ii) a reference to the survey but no survey exceptions except those theretofore approved by Lender's Counsel, (iii) such affirmative insurance and endorsements as Lender's Counsel may require, and (iv) if any such policy is dated earlier than the date of the disbursement of the Loan, an endorsement to such policy, in form approved by Lender's Counsel, redating the policy and setting forth no additional exceptions except those approved by Lender's Counsel; and shall be accompanied by such reinsurance agreements between the Title Insurer and title companies approved by Lender, in ALTA 1994 facultative form, as Lender may require;

(8) Survey. A current, as-built survey of the Property, certified to Lender and the Title Insurer showing (i) the location of the perimeter of the Property by courses and distances, (ii) all easements, rights-of-way, and utility lines referred to in the title policy required by this Agreement or which actually service or cross the Property, (iii) the lines of the streets abutting the Property and the width thereof, and any established building and setback lines, (iv) encroachments and the extent thereof upon the Property, (v) the Improvements and the relationship thereof by distances to the perimeter of the Property, established building, setback and street lines and (vi) if the Property is described as being on a filed map, a legend relating the survey to said map, provided that Administrative Agent hereby acknowledges that the surveys received on or prior to the date hereof shall satisfy this requirement notwithstanding the fact that they may not be current provided that no unacceptable survey exception is taken in the title insurance policy insuring the Mortgage;

(9) Leases and Premises Documents. Certified copies of all leases in respect of the Mortgaged Property, accompanied by, in the case of Anchors and any other leases specified by Administrative Agent, estoppel certificates from the tenants thereunder and executed notice-of-assignment letters in the form of EXHIBIT B in respect thereof; executed subordination and attornment agreements, in Administrative Agent's usual form, in respect of such leases as Administrative Agent may require; a certified copy of the standard form of lease or contract of sale, as the case may be, Borrower will use in connection with the leasing of space in the Improvements or the sale of portions of the Property; certified copies of all Premises Documents, together with estoppel certificates from the parties thereto and a certified current rent roll for the Improvements;

(10) Requisition. A Requisition for the advance of Loan proceeds,

(11) Counsel Opinions. Opinions of Borrower's counsel and local counsel (and, if required by Lender, of a local counsel selected by Lender or Lender's Counsel) to the effects set forth on EXHIBIT C;

(12) Organizational Documents. If Borrower, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, current copies of the following documents with respect to each (unless otherwise indicated):

(i) a good-standing certificate from the jurisdiction of its incorporation and, as to Borrower and the mortgagor or grantor under the Mortgage only, from the jurisdiction in which the Property is located,

(ii) a resolution, certified by the corporate secretary, of the shareholders or directors of the corporation authorizing the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Loan Documents and any other documents to be executed, delivered or performed by said corporation (including any substitute or replacement Notes to be executed and delivered pursuant to the terms hereof), and

(iii) a certificate of the corporate secretary as to the incumbency of the officers executing any of the documents required hereby,

and, if Borrower, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a partnership, venture, limited liability company or trust:

(iv) the entity's organizational agreement and all amendments and attachments thereto, certified by a general partner, venturer, member or trustee to be true and complete,

(v) any certificates filed or required to be filed by the entity in the jurisdictions of its formation and where the Property is located in order for it to do business in those jurisdictions, and

(vi) evidence of the authorization of the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Loan Documents and any other documents to be executed, delivered or performed by said entity (including any substitute or replacement notes to be executed and delivered pursuant to the terms hereof), and including any required consents by partners, venturers, members, trustees or beneficiaries;

(13) Intentionally Omitted;

(14) Permits and Approvals. Copies of the certificate(s) of occupancy for the Improvements and of any and all other authorizations (including plot plan and subdivision approvals, zoning variances, water, sewer, building and other permits) required by Governmental Authorities or otherwise necessary for the use, occupancy and operation of the Property and/or Improvements for their intended purposes in accordance with all applicable Laws;

(15) Intentionally Omitted;

(16) Chattel Searches. UCC searches against Borrower or other owner of the Mortgaged Property and advice from the Title Insurer to the effect that searches of proper public records disclose no leases of personalty or financing statements filed or recorded against the Mortgaged Property, Borrower or other owner of any Mortgaged Property;

(17) Intentionally Omitted; and

(18) Additional Documentation. Such other approvals, opinions or documents as Lender may reasonably request including, but not limited to, (i) a current certified rent roll for the Mortgaged Property and tenant estoppel letters for all Anchors, (ii) ground lessor estoppel certificates from the ground lessor with respect to the Property and (iii) current financial statements of Guarantor showing a minimum net worth of \$100,000,000 (the "Net Worth Requirement") and a minimum Unrestricted Cash and Cash Equivalents of \$10,000,000 (the "Liquidity Requirement").

Section 4.02. Intentionally Omitted.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Borrower and Guarantor represent and warrant to Administrative Agent and Lenders that:

Section 5.01. Due Formation, Power and Authority. If it, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation, is qualified to do business (if required) and is in good standing in the jurisdiction in which the Property is located, and has full power and authority to consummate the transactions contemplated hereby and to execute, deliver and perform this Agreement and any other Loan Document to which it is a party.

Section 5.02. Legally Enforceable Agreements. Each Loan Document to which Borrower or Guarantor is a party is a legal, valid and binding obligation of such party, enforceable against Borrower or Guarantor, as the case may be, in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar Laws affecting creditors' rights generally.

Section 5.03. Financial Statements. Financial Statements have been heretofore delivered to Lenders which are true, correct and current in all respects and which fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof; no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no borrowings (other than the Loan) which might give rise to a lien or claim against the Mortgaged Property or proceeds of the Loan have been made by Borrower or others since the dates thereof.

Section 5.04. Compliance With Laws; Payment of Taxes. Borrower and Guarantor are in compliance with, and the transactions contemplated hereby and by the other Loan Documents do not and will not violate any provision of, or require any filing, registration, consent or approval under, any Law presently in effect having applicability to Borrower or Guarantor; Borrower has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies due and payable (including those in respect of the Mortgaged Property), including interest and penalties.

Section 5.05. Litigation. There are no actions, suits or proceedings pending or threatened against or affecting it, Guarantor, the Mortgaged Property, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Administrative Agent and Lenders in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become payable under the Notes or Guaranty or to otherwise pay and perform their respective obligations in connection with the Loan; to Borrower's knowledge, neither it nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

Section 5.06. No Conflicts or Defaults. The consummation of the transactions contemplated hereby and the performance hereof and of the other Loan Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which either of them may be bound or affected.

Section 5.07. Solvency. Borrower and Guarantor are, and upon consummation of the transactions contemplated by this Agreement, the other Loan Documents and any other related documents, will be, solvent.

Section 5.08. Governmental Regulation. Borrower is not subject to regulation under the Investment Company Act of 1940 or any Law limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.09. Insurance. Borrower has in force, and has paid the premiums in respect of, all of the insurance required by the Mortgage.

Section 5.10. ERISA. Neither Borrower nor Guarantor nor any other Person, including any fiduciary, has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) which could subject Borrower or Guarantor or any Person whom they have an obligation to indemnify to any tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA; neither Borrower nor Guarantor nor any ERISA Affiliate maintains, contributes to or has any liability with respect to a Multiemployer Plan or any other plan subject to Title IV of ERISA; each Employee Benefit Plan is administered in accordance with its terms and in compliance with all applicable Laws, including any reporting requirements; each Pension Plan intending to qualify under Section 401(a) or 401(k) of the Code does so qualify; there is no lien outstanding or security interest given in connection with a Pension Plan; neither Borrower nor Guarantor nor any ERISA Affiliate has any liability with respect to an accumulated funding deficiency (whether or not waived) under Section 412 of the Code or Section 302 of ERISA; neither Borrower nor Guarantor has any liability for retiree medical or death benefits (contingent or otherwise) other than as required by Section 4980B of the Code; and no part of the funds to be used by Borrower or Guarantor in satisfaction of their respective obligations under this Agreement and the other Loan Documents constitute "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the United States Department of Labor in rules, regulations, releases or bulletins or as interpreted under applicable case law.

Section 5.11. Other Documents. The Major Leases and Premises Documents are unmodified and in full force and effect, there are no defaults (or events which with notice or the passage of time, or both, would constitute such a default) under any thereof and all conditions to the effectiveness and continuing effectiveness thereof required to be satisfied as of the date hereof have been satisfied.

Section 5.12. No Defaults. There exists no Default or Event of Default.

Section 5.13. Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower or Guarantor to Lender in connection with the negotiation of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby, or required herein or by the other Loan Documents to be furnished by or on behalf of Borrower or Guarantor, contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading; there is no fact which Borrower has not disclosed to Administrative Agent and Lenders in writing which materially affects adversely nor, so far as Borrower can now foresee, will

materially affect adversely any of the Mortgaged Property or the business affairs or financial condition of Borrower or Guarantor, or the ability of Borrower or Guarantor to perform this Agreement and the other Loan Documents.

Section 5.14. Separate Tax and Zoning Lot. Each Mortgaged Property constitutes a distinct parcel for purposes of zoning and of taxes, assessments and impositions (public or private) and are not otherwise considered as part of a larger single lot for purposes of zoning or of taxes, assessments or impositions (public or private).

Section 5.15. The Improvements. There are no structural defects in the Improvements or violations of any requirement of any Governmental Authorities with respect thereto; the use, occupancy and operation of the Improvements comply with all applicable permits and restrictive covenants affecting the Mortgaged Property, as well as with the Premises Documents and with all zoning, building, environmental, ecological, landmark, subdivision and other Laws, and all requirements for such use, occupancy and operation have been satisfied; there exist a sufficient number of parking spaces necessary to satisfy the requirements of the Premises Documents and any leases and all zoning and other applicable legal requirements with respect to the Mortgaged Property, and all required landscaping, sidewalks and other amenities, and all off-site improvements, related to the Improvements have been completed.

Section 5.16. Utility Services. All utility services necessary for the use and operation of the Improvements for their intended purposes are available and servicing the Property, including water supply, storm and sanitary sewer, gas, electric power and telephone facilities.

Section 5.17. Creation of Liens. It has entered into no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Mortgaged Property or any part thereof.

Section 5.18. Roads. All roads necessary for the full utilization of the Improvements for their intended purposes have been completed and dedicated to public use and accepted by all appropriate Governmental Authorities.

Section 5.19. Requisition as Reaffirmation. Each Requisition submitted to Administrative Agent, and the receipt of the funds requested thereby, shall constitute an affirmation by Borrower that the representations and warranties contained herein and in the other Loan Documents remain true and correct as of the respective dates of such Requisitions.

Section 5.20. Patriot Act.

(a) As of the date hereof, none of the funds or other assets of Borrower or of any of its direct or indirect owners (including Guarantor) constitute property of, or are beneficially owned, directly or indirectly, by, any Person subject to trade restrictions under United States Law, including those who are covered by the International Emergency Economic Powers Act, 50 U.S.C. §§1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations

promulgated thereunder (an “Embargoed Person”) with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law; (ii) no Embargoed Person has any interest of any nature whatsoever (whether directly or indirectly) in Borrower with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law; and (iii) none of the funds of Borrower have been derived from any unlawful activity with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law.

(b) Neither Borrower nor any of its direct or indirect owners (including Guarantor) is in violation of the U.S. Federal Bank Secrecy Act, as amended, and its implementing regulations (31 CFR part 103), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 and the regulations promulgated thereunder, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), or any other anti-money laundering Law.

(c) Neither Borrower nor any if its direct or indirect owners (including Guarantor) is a Person with whom United States Persons are restricted from doing business with under (a) regulations issued by OFAC (including those persons and entities named on OFAC’s Specially Designated Nationals and Blocked Persons list) or under any United States Law (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or (b) any other Law. Without limiting the foregoing, Borrower is not presently funding its obligations hereunder with funds from any of the Persons referred to in this paragraph (c).

ARTICLE VI

COVENANTS OF BORROWER

Borrower covenants and agrees with Administrative Agent and Lenders that it will promptly:

Section 6.01. Compliance with Laws; Payment of Taxes. Comply with all Laws applicable to it or the Mortgaged Property, or any part thereof, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed on it or the Mortgaged Property, or any part thereof, and promptly furnish Administrative Agent with reports of any official searches made by Governmental Authorities and any claims of violations thereof.

Section 6.02. Leases and Premises Documents. Not enter into any Major Lease without the prior written consent of Administrative Agent, not to be unreasonably withheld or delayed; and deliver to Administrative Agent certified copies of all leases in respect of the Mortgaged Property and all Premises Documents and all amendments to any thereof (in any case, whether executed before or after the date hereof) together with

(i) if requested by Administrative Agent, current financial statements of the tenants thereunder or parties thereto as the case may be, and of the guarantor(s), if any, of such tenants or parties and (ii) in the case of all Major Leases, a notice-of-assignment letter in the form of EXHIBIT B; and keep all Premises Documents and, except as may be permitted by the Mortgage, all leases in full force and effect.

Section 6.03. Continuing Accuracy of Representations and Warranties. Cause all of the representations and warranties made to Administrative Agent or Lenders herein and in the other Loan Documents to be continuously true and correct.

Section 6.04. Covenants, Restrictions and Easements. Comply with all restrictions, covenants and easements affecting the Mortgaged Property or the Improvements and cause the satisfaction of all conditions hereof.

Section 6.05. Guarantor Financial Covenants. Cause Guarantor to comply at all times with the Liquidity Requirement and the Net Worth Requirement.

Section 6.06. Financial Covenants. At all times not permit or allow (i) the Principal Amount to exceed 65% of the appraised value of the Mortgaged Property (the "Loan to Value Test") as determined by an independent appraisal conducted at Borrower's expense by an appraiser selected by Administrative Agent, which appraisal shall be conclusive as to value absent manifest error, provided, however, that Borrower shall not be obligated to pay for more than one (1) appraisal per any twelve (12) consecutive month period so long as no Event of Default exists or (ii) Net Operating Income to be less than 140% of debt service on the Principal Amount (the "DSC Test"). For purposes of determining compliance with the DSC Test, Net Operating Income shall be calculated on a semi-annual basis using six months' actual figures and the projected figures for the next succeeding six months and debt service shall be calculated using an interest rate equal to the greater of (a) the actual interest rate; (b) the Treasury Rate plus 225 basis points or (c) an interest rate equal to 8.0% and a (25) year equal payment self liquidating amortization schedule. For purposes of determining compliance with the Loan to Value Test, a new appraisal shall not be required for each advance provided the appraisal required in connection therewith shall not be more than twelve (12) months old and any required reappraisals shall be made at Borrower's expense, subject to the limitation set forth in clause (i) above. Failure to comply with the Loan to Value Test or the DSC Test shall not constitute an Event of Default under the Mortgage and hereunder if, within forty-five (45) days of the date upon which Mortgagor receives written notice from Administrative Agent of Borrower's non-compliance thereof (the "Notice Date"), Mortgagor complies with the provisions of this Section 6.06, by either (i) partially prepaying the Note and the Hedging Agreement and all applicable prepayment or other charges, if any, provided for in the Note so that Borrower is in compliance herewith or (ii) delivering to Administrative Agent cash, a letter of credit from a financial institution acceptable to Administrative Agent, or such other collateral as may be acceptable to Lender in its sole discretion in an amount equal to the amount that would have been required to have been prepaid pursuant to (i) above in order to cure such default.

Section 6.07. Payment of Costs. Pay all costs and expenses required for the satisfaction of the conditions hereof, including, without limitation (i) all document and stamp taxes, recording and filing expenses and fees and commissions lawfully due to brokers in connection with the transactions contemplated hereby, (ii) any taxes, insurance premiums, liens, security interests or other claims or charges against the Property or Improvements and (iii) all costs of completion of the work to be performed by Borrower in space to be occupied in the Improvements (including public space) to permit the lawful occupancy thereof for the purposes contemplated by actual or prospective lessees or owners of such space as set forth in the individual leases, subleases or purchase contracts thereof or in detailed work letters or other agreements or letters of intent with respect thereto, or, in cases where there are no such leases, subleases, contracts, work letters or other documents as aforesaid, as set forth in Borrower's standard work letter or the standard form of lease or contract, if any, required by paragraph (9) of Section 4.01(d), or, in cases where none of the foregoing exists, to the level of building standard in accordance with industry practices, as conclusively determined by Administrative Agent.

Section 6.08. Brokers. Indemnify Administrative Agent and Lenders against claims of brokers arising by reason of the execution hereof or the consummation of the transactions contemplated hereby.

Section 6.09. Correction of Defects. Upon demand of Administrative Agent, correct any defects (including structural) in the Improvements.

Section 6.10. Intentionally Omitted.

Section 6.11. Reporting and Miscellaneous Document Requirements. Furnish directly to each Lender:

(1) Semi-Annual Financial Statements of Borrower. On a semi-annual basis, as soon as available and in any event within ninety (90) days after the end of each applicable semi-annual period, Financial Statements of Borrower, in reasonable detail (including detailed balance sheet, income statement, cash flow statement and one-year projections) and stating in comparative form the respective figures for the corresponding date and period in the prior semi-annual period;

(2) Annual Financial Statements of Borrower. On a annual basis, as soon as available and in any event within ninety (90) days after the end of each applicable annual period, Financial Statements of Borrower, in reasonable detail (including detailed balance sheet, income statement, cash flow statement and one-year projections) and stating in comparative form the respective figures for the corresponding date and period in the prior annual period;

(3) Quarterly and Annual Financial Statements of Acadia Realty Trust. As soon as available and in any event within one hundred (100) days after the end of each calendar quarter and Fiscal Year, Financial Statements of Acadia Realty Trust, a Maryland real estate investment trust ("Sponsor"), which is the parent of

Guarantor, as of the end of and for such calendar quarter and Fiscal Year, in reasonable detail (including detailed balance sheet, income statement, cash flow statement, and contingent liability schedule) and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year, audited (with respect to the annual financial statements only) by BDO Seidman or one of the so-called "Big Four" accounting firms or another firm of certified public accountants reasonably acceptable to Administrative Agent, provided that, notwithstanding the foregoing, so long as Sponsor timely files 10Q and 10K reports with the Securities and Exchange Commission, Sponsor shall have complied with this clause (3);

(4) Covenant Compliance Certificates. Within sixty (60) days after the end of each fiscal quarter, Guarantor shall submit to Lender a Covenant Compliance Certificate certified by a principal financial or accounting officer or general partner, as the case may be, in the Form of EXHIBIT E-1 hereto certifying, on the basis of Guarantor's unaudited financial statements, that Guarantor has met the Liquidity Requirement for the applicable period. As soon as available and in any event within one hundred (100) days after the end of each Fiscal Year, Guarantor shall submit to Lender a Covenant Compliance Certificate certified by a principal financial or accounting officer or general partner, as the case may be, in the Form of EXHIBIT E-2 hereto certifying, on the basis of Guarantor's audited Financial Statements as of the end of and for such Fiscal Year, that Guarantor has met the Net Worth Requirement and the Liquidity Requirement;

(5) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits, and proceedings before any court or arbitrator or any Governmental Authority, affecting (i) Borrower which, if determined adversely to Borrower are likely to result in a Material Adverse Change or (ii) all or any portion of the Mortgaged Property under any Mortgage;

(6) Notices of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a Default or any Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken with respect thereto;

(7) Material Adverse Change. As soon as is practicable and in any event within five (5) days after knowledge of the occurrence of any event or circumstance which is likely to result in or has resulted in a Material Adverse Change, written notice thereof;

(8) Offices. Thirty (30) days' prior written notice of any change in the chief executive office or principal place of business of Borrower;

(9) Environmental and Other Notices. As soon as possible and in any event within ten (10) days after receipt, copies of (i) all Environmental Notices

received by Borrower which are not received in the ordinary course of business and which relate to any Property or a situation which is likely to result in a Material Adverse Change and (ii) all reports of any official searches made by any Governmental Authority having jurisdiction over any Property or the Improvements thereon, and of any claims of violations thereof;

(10) Insurance Coverage. Promptly, such information concerning Borrower's insurance coverage as Administrative Agent may reasonably request;

(11) Bankruptcy of Tenants. Promptly after becoming aware of the same, written notice of the bankruptcy, insolvency or cessation of operations of any tenant in the Improvements on any Property to which 5% or more of the aggregate minimum rent from such Improvements is attributable;

(12) Leasing Reports and Property Information. (i) Upon request by Administrative Agent, but no more often than quarterly, an updated rent roll, leasing report, and operating and cash statements for each Property and (ii) (ii) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, tenant sales report for each Property, to the extent Borrower is entitled to receive same pursuant to the terms of the respective leases; and

(13) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower, Guarantor or any Properties of Borrower as Administrative Agent may from time to time reasonably request.

ARTICLE VII

ADMINISTRATIVE AGENT; RELATIONS AMONG LENDERS

Section 7.01. Appointment, Powers and Immunities of Administrative Agent. Each Lender hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Loan Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Loan Document, together with such other powers as are reasonably incidental thereto. Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Loan Document or required by Law, and shall not by reason of this Agreement be a fiduciary or trustee for any Lender except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds, nor shall Administrative Agent have any fiduciary duty to Borrower nor shall any Lender have any fiduciary duty to Borrower or any other Lender. No implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against Administrative Agent. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or affiliates shall be responsible to Lenders for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Loan Document, or in any certificate or other

document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any lien securing the obligations hereunder or thereunder or for any failure by Borrower or any Guarantor to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or affiliates shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 7.02. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Lender as the holder of its Note and interest in the Loan for all purposes hereof and shall not be required to deal with any Person who has acquired a Participation in the Loan from a Lender. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with instructions signed by the Required Lenders, and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding on all of Lenders and any other holder of all or any portion of the Loan or Participation therein.

Section 7.03. Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or of an Event of Default unless Administrative Agent has actual knowledge thereof or has received notice from a Lender or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent has such actual knowledge or receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to Lenders. Administrative Agent shall promptly send to each Lender a copy of any notice of a Default or Event of Default that Administrative Agent sends to Borrower or Guarantor. Administrative Agent, following consultation with Lenders, shall (subject to Section 7.07) take such action with respect to such Default or Event of Default which is continuing, including with respect to the exercise of remedies or the realization on, or operation or disposition of, any or all of the Mortgaged Property or any other collateral for the Loan, as shall be directed by the Required Lenders; provided, however, that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem to be in the best interest of Lenders. In no event shall Administrative Agent be required to take

any such action which it determines would be contrary to the Loan Documents or to Law. Each of Lenders acknowledges and agrees that no individual Lender may separately enforce or exercise any of the provisions of any of the Loan Documents (including, without limitation, the Notes) other than through Administrative Agent.

Section 7.04. Rights of Administrative Agent as Lender. With respect to its Note and interest in the Loan, Administrative Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Administrative Agent, and the terms “Lender” and “Lenders” shall include Administrative Agent in its capacity as a Lender. Administrative Agent and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, Borrower or Guarantor (and any affiliates of them) as if it were not acting as Administrative Agent.

Section 7.05. Sharing of Costs by Lenders; Indemnification of Administrative Agent. Each Lender shall pay its ratable share, based on the respective outstanding principal balances under its Note and the other Notes, of any expenses incurred (and not paid or reimbursed by Borrower after demand for payment is made by Administrative Agent) by or on behalf of Lenders in connection with any Default or Event of Default, including, without limitation, costs of enforcement of the Loan Documents and any advances to pay taxes or insurance premiums, to complete the Improvements or otherwise to preserve the lien of the Mortgage or to preserve or protect the Mortgaged Property. In the event a Lender fails to pay its share of expenses as aforesaid, and all or a portion of such unpaid amount is paid by Administrative Agent and/or one or more of the other Lenders, then the defaulting Lender shall reimburse Administrative Agent and/or the other Lender(s) for the portion of such unpaid amount paid by it or them, as the case may be, together with interest thereon at the Prime Based Rate from the date of payment by Administrative Agent and/or the other Lender(s). In addition, each Lender agrees to reimburse and indemnify Administrative Agent (to the extent it is not paid by or on behalf of Borrower, after demand for payment is made by Administrative Agent, under Section 8.13 or under the applicable provisions of any other Loan Document, but without limiting the obligation of Borrower under said Section 8.13 or such provisions), for such Lender’s ratable share, based upon the respective outstanding principal balances under its Note and the other Notes, of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Administrative Agent in any way relating to or arising out of this Agreement, any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 8.13 or under the applicable provisions of any other Loan Document) or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided, however, that no Lender shall be liable for (i) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified or (ii) any loss of principal or interest with respect to Administrative Agent’s Note or interest in the Loan.

Section 7.06. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance on Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own analysis of the collateral for the Loan and of the credit of Borrower and Guarantor, and its own decision to enter into this Agreement, and that it will, independently and without reliance upon Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Loan Document. Administrative Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or to inspect the properties (including, without limitation, the Properties) or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to Lenders by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of Borrower or Guarantor (or any affiliate of them) which may come into the possession of Administrative Agent or any of its affiliates. Administrative Agent shall not be required to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein, for record or give notice of this Agreement, any other Loan Document or any document or instrument referred to herein or therein, to anyone.

Section 7.07. Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of Lenders under Section 7.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. If any indemnity furnished to Administrative Agent for any purpose shall, in the opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional indemnity and cease, or not commence, the action indemnified against until such additional indemnity is furnished.

Section 7.08. Resignation or Removal of Administrative Agent. Administrative Agent may be removed at any time with cause by the Required Lenders, provided that Borrower and the other Lenders shall be promptly notified thereof. Upon such resignation or removal of Administrative Agent, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor Administrative Agent shall (provided there exists no Event of Default) be subject to Borrower's approval, such approval not to be unreasonably withheld or delayed. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within twenty (20) days after the resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be one of Lenders, within ten (10) days. The Required Lenders or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Lenders. Upon the acceptance of any

appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Section 7.09. Amendments Concerning Agency Function. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Loan Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

Section 7.10. Liability of Administrative Agent. Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Lender to perform its obligations hereunder or to any Lender on account of the failure of Borrower to perform its obligations hereunder or under any other Loan Document.

Section 7.11. Transfer of Agency Function. Without the consent of Borrower or any Lender, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and Lenders thereof.

Section 7.12. Non-Receipt of Funds by Administrative Agent; Adjustments.

(a) Unless Administrative Agent shall have received notice from a Lender or Borrower (either one as appropriate being the "Payor") prior to the date on which such Lender is to make payment hereunder to Administrative Agent of Loan proceeds or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the Federal Funds Rate.

(b) If, after Administrative Agent has paid each Lender's share of any payment received or applied by Administrative Agent in respect of the Loan, that payment is rescinded or must otherwise be returned or paid over by Administrative

Agent, whether pursuant to any bankruptcy or insolvency Law, sharing of payments clause of any loan agreement or otherwise, such Lender shall, at Administrative Agent's request, promptly return its share of such payment or application to Administrative Agent, together with such Lender's proportionate share of any interest or other amount required to be paid by Administrative Agent with respect to such payment or application. In addition, if a court of competent jurisdiction shall adjudge that any amount received and distributed by Administrative Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to Administrative Agent its share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

Section 7.13. Withholding Taxes. Each Lender represents that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent such forms, certifications, statements and other documents as Administrative Agent may reasonably request from time to time to evidence such Lender's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent to comply with any applicable Laws relating thereto. Without limiting the effect of the foregoing, if any Lender is not created or organized under the Laws of the United States or any state thereof, such Lender will furnish to Administrative Agent Form W-8ECI or Form W-8BEN of the U.S. Internal Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Lender, as evidence of such Lender's complete exemption from the withholding of United States tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Lender in respect of the Loan until such Lender shall have furnished to Administrative Agent the requested form, certification, statement or document.

Section 7.14. Sharing of Payments among Lenders. If a Lender shall obtain payment of any principal of its Note or of interest thereon through the exercise of any right of setoff, banker's lien or counterclaim, or by any other means (including direct payment), and such payment results in such Lender receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to Lenders, then such Lender shall promptly purchase for cash from the other Lenders Participations in the Loan in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share ratably the benefit of such payment. To such end Lenders shall make appropriate adjustments among themselves (by the resale of Participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

Section 7.15. Possession of Documents. Each Lender shall maintain possession of its own Note. Administrative Agent shall hold all other Loan Documents and related documents in its possession and maintain separate records and accounts with respect to the Loan, reflecting the interests of Lenders in the Loan, and shall permit Lenders and their representatives access at all reasonable times to inspect such Loan Documents, related documents, records and accounts.

ARTICLE VIII

GENERAL CONDITIONS AND PROVISIONS

Section 8.01. Disbursement Not Waiver. The disbursement by Lenders of the Loan made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Lenders, shall not constitute a waiver by Lenders of the requirement that all conditions, including the non-performed conditions, shall be satisfied.

Section 8.02. No Third-Party Beneficiaries. This Agreement is solely for the benefit of Administrative Agent, Lenders and Borrower. All conditions of the obligations of Lenders hereunder are imposed solely and exclusively for the benefit of Lenders and may be freely waived or modified in whole or in part by Lenders at any time if in their sole discretion it deems it advisable to do so, and no person other than Borrower (provided, however, that all conditions have been satisfied) shall have standing to require Lenders to disburse the Loan or to be a beneficiary of this Agreement.

Section 8.03. Documentation Etc. Satisfactory. All documentation and proceedings deemed by Administrative Agent or Lenders' Counsel to be necessary or required in connection herewith and the documents relating hereto shall be subject to the prior approval of, and satisfactory to, both of them as to form and substance. In addition, the Persons responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and Lenders' Counsel. Administrative Agent or Lenders' Counsel shall receive copies, certified if requested by either of them, of all documents which they may require in connection with the transactions contemplated hereby.

Section 8.04. Lender's Determination Conclusive. Administrative Agent shall, at all times, be free to independently establish to its satisfaction and in its absolute discretion the existence or nonexistence of any fact or facts the existence or nonexistence of which is a condition hereof.

Section 8.05. Notices. Except as expressly provided otherwise, all notices, demands, consents, approvals and statements required or permitted hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally, three (3) days after mailing by registered or certified mail, postage prepaid, or one (1) day after delivery to a nationally recognized overnight courier service providing evidence of the date of delivery, addressed to a party at its address on the signature page hereof or of the applicable Assignment and Assumption Agreement, or at such other address of which a party shall have notified the party giving such notice in writing in accordance with the foregoing requirements.

Section 8.06. Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Loan Document, nor consent to any material departure by Borrower or any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the party against whom such

amendment, waiver or consent is sought to be enforced (it being understood, however, that the signatures of the Required Lenders and, solely for purposes of its acknowledgement thereof, Administrative Agent, shall be sufficient to bind Lenders to any such amendment, waiver or consent), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all Lenders, do any of the following: (i) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any other Loan Document; (ii) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees due hereunder or under any other Loan Document; (iii) change the definition of Required Lenders; (iv) release any material portion of the Mortgaged Property or other collateral for the Loan other than in accordance with the Loan Documents; (v) amend this Section or any other provision requiring the consent of all Lenders; (vi) release, in whole or in part, any Guarantor other than in accordance with the Loan Documents; or (vii) increase the Loan Amount. Without limiting the foregoing, acceptance by Administrative Agent or Lenders of any sum required to be paid pursuant hereto or any other Loan Document, after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Administrative Agent or Lenders of their right to require prompt payment when due of all other such sums or to declare a default or to exercise such other rights provided herein or in the other Loan Documents for such late or reduced payment.

All communications from Administrative Agent to Lenders requesting Lenders' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Lender, (ii) shall be accompanied by or include a description or copy of the matter or thing as to which such determination, approval, consent or disapproval is requested and (iii) shall include Administrative Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within ten (10) Business Days (or five (5) Business Days with respect to any decision to accelerate or stop acceleration of the Loan) after receipt of the request therefor by Administrative Agent (the "Lender Reply Period"). Unless a Lender shall give written notice to Administrative Agent that it objects to the recommendation or determination of Administrative Agent (together with a written explanation of the reasons behind such objection) within the Lender Reply Period, such Lender shall be deemed to have approved or consented to such recommendation or determination.

Section 8.07. Assignment; Participation. Any Lender may at any time grant to one or more banks or other institutions not affiliated with Borrower or Guarantor (each a "Participant") participating interests in its Pro Rata Share of the Loan (the "Participations"). In the event of any such grant by a Lender of a Participation to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and Borrower and Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder. Any agreement pursuant to which any Lender may grant a Participation shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Loan Document, including, without limitation, the right to approve any amendment, modification or waiver of any

provision of this Agreement or any other Loan Document; provided that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver described in clauses (i) through (vii) of Section 8.06 without the consent of the Participant.

Upon request by Borrower, each Lender agrees to provide Borrower with notice of all Participations sold by such Lender. Borrower agrees to provide all assistance reasonably requested by a Lender to enable such Lender to sell Participations as aforesaid, or make assignments of its interest in the Loan as hereinafter provided in this Section.

A Lender may at any time assign to any bank or other institution not affiliated with Borrower or Guarantor with the consent of Administrative Agent, which consents shall not be unreasonably withheld or delayed (such assignee, a "Consented Assignee"), or to one or more banks or other institutions which are majority owned subsidiaries of a Lender or of the parent of a Lender (each Consented Assignee or subsidiary bank or institution, an "Assignee") all or a proportionate part of all of its rights and obligations under this Agreement and its Note, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and the assigning Lender, provided that, after giving effect to such assignment, in each case, the Assignee's portion of the Loan and, in the case of a partial assignment of a Lender's interest, the assigning Lender's portion of the Loan will each be equal to or greater than \$5,000,000. Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the assigning Lender of an amount equal to the purchase price agreed between such Lender and such Assignee and (iii) payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of \$3,500, such Assignee shall be a party to this Agreement and shall have all the rights and obligations of a Lender as set forth in such Assignment and Assumption Agreement, and the assigning Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph, substitute notes, in the form of EXHIBIT D, shall be issued to the assigning Lender (in the case of a partial assignment) and Assignee by Borrower, in exchange for the return of the assigning Lender's original Note. All such substitute notes shall constitute "Notes" and the obligations evidenced by such substitute notes shall constitute obligations secured by the Mortgage. In connection with Borrower's execution of substitute notes as aforesaid, Borrower shall deliver to Administrative Agent such evidence of the due authorization, execution and delivery of the substitute notes and any related documents as Administrative Agent may reasonably request. If the Assignee is not incorporated under the Laws of the United States or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 7.13.

Borrower, Administrative Agent and Lenders shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be

necessary or desirable in connection with assignments in accordance with the foregoing provisions of this Section.

Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

Borrower recognizes that in connection with a Lender's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Loan may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee.

Section 8.08. Setoff. In addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim Administrative Agent or any Lender may otherwise have, Administrative Agent and each Lender shall be entitled, but only with the prior consent of Administrative Agent, to offset balances (general or special, time or demand, provisional or final) held by it for the account of Borrower at any of Administrative Agent's or such Lender's offices against any amount payable by Borrower to Administrative Agent or such Lender hereunder or under any other Loan Document which is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and (in the case of a Lender) Administrative Agent thereof; provided, however, that Administrative Agent's or such Lender's failure to give such notice shall not affect the validity thereof. Payments by Borrower hereunder or under the other Loan Documents shall be made without setoff or counterclaim.

Section 8.09. Successors and Assigns. Except as herein provided, this Agreement shall be binding upon and inure to the benefit of Borrower, Administrative Agent and Lenders and their respective heirs, personal representatives, successors and assigns. Notwithstanding the foregoing, Borrower, without the prior written consent of Lender in each instance, may not assign, transfer or set over to another, in whole or in part, all or any part of its benefits, rights, duties and obligations hereunder, including, but not limited to, performance of and compliance with conditions hereof and the right to receive the proceeds of the Loan.

Section 8.10. Severability. The provisions hereof are intended to be severable. Any provisions hereof, or the application thereof to any Person or circumstance, which, for any reason, in whole or in part, is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof (or the remaining portions of such provision) or the application thereof to any other Person or circumstance, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision (or portion thereof) or the application thereof to any Person or circumstance in any other jurisdiction.

Section 8.11. Non-Waiver; Remedies Cumulative. No failure or delay on Lender's part in exercising any right, remedy, power or privilege (hereinafter in this Section, each a "Remedy") hereunder or under any of the other Loan Documents shall operate as a waiver of any such Remedy or shall be deemed to constitute Administrative Agent's or any Lender's acquiescence in any default by Borrower or Guarantor under any of said documents. A waiver by Administrative Agent or any Lender of any Remedy hereunder or under any of the other Loan Documents on any one occasion shall not be construed as a bar to any other or future exercise thereof or of any other Remedy. The Remedies provided in said documents are cumulative, may be exercised singly or concurrently and are not exclusive of any Remedies provided therein or by Law.

Section 8.12. Certain Waivers. Borrower hereby irrevocably and unconditionally waives (i) promptness and diligence, (ii) notice of any actions taken by Administrative Agent or any Lender hereunder or under any other Loan Document or any other agreement or instrument relating hereto or thereto except to the extent otherwise provided herein, (iii) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of Borrower's obligations hereunder and under the other Loan Documents, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving Borrower of any of its obligations hereunder or under the other Loan Documents, (iv) any requirement that Administrative Agent or any Lender protect, secure, perfect or insure any lien on any collateral for the Loan or exhaust any right or take any action against Borrower, Guarantor or any other Person or against any collateral for the Loan, (v) any right or claim of right to cause a marshalling of Borrower's assets and (vi) all rights of subrogation or contribution, whether arising by contract or operation of law or otherwise by reason of payment by Borrower pursuant hereto or to any other Loan Document. BORROWER FURTHER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY OR ON BEHALF OF ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO THIS AGREEMENT, THE NOTES OR OTHERWISE IN RESPECT OF THE LOAN, ANY AND EVERY RIGHT BORROWER MAY HAVE TO (W) INJUNCTIVE RELIEF, (X) A TRIAL BY JURY, (Y) INTERPOSE ANY COUNTERCLAIM THEREIN, OTHER THAN A COMPULSORY COUNTERCLAIM, AND (Z) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING CONTAINED IN THE IMMEDIATELY PRECEDING SENTENCE SHALL PREVENT OR PROHIBIT BORROWER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO ANY ASSERTED CLAIM.

Section 8.13. Expenses; Indemnification. The Loan shall be made without cost to Lender. Borrower covenants and agrees to pay all costs, expenses and charges (including, without limitation, all fees and charges of engineers, appraisers and Lenders' Counsel) incurred by Administrative Agent or any Lender in connection with (i) the preparation for and consummation of the transactions contemplated hereby or for the performance hereof and of the other Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and (ii) the

enforcement hereof or of any or all of the other Loan Documents; provided, however, that Borrower shall not be responsible for (1) the fees and expenses of legal counsel for Lenders other than BofA incurred in connection with said counsel's review of this Agreement and the other Loan Documents prior to execution and (2) costs, expenses and charges incurred by Administrative Agent and Lenders in connection with the administration or syndication of the Loan. If Borrower fails to pay promptly any costs, charges or expense required to be paid by it as aforesaid, and Administrative Agent or any Lender pays such costs, charges or expenses, Borrower shall reimburse Administrative Agent or such Lender, as appropriate, on demand for the amounts so paid, together with interest thereon at the Default Rate. Borrower further agrees to indemnify Administrative Agent and each Lender and their respective directors, officers, employees and agents from, and hold each of them harmless against, (x) any and all losses arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of the Loan, including, without limitation, the fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceedings and (y) any and all claims, actions, suits, proceedings, costs, expenses, losses, damages and liabilities of any kind, including in tort, penalties and interest, arising out of or by reason of any matter relating, directly or indirectly, to the Mortgage or the ownership, condition, development, construction, sale, rental or financing of the Property or Improvements or any part thereof (but excluding any such losses, liabilities, claims, damages or expenses incurred solely by reason of the gross negligence or willful misconduct of the party to be indemnified). The obligations of Borrower under this Section and under Sections 3.01, 3.03 and 6.08 shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan.

Section 8.14. Gross-Up For Taxes. All payments made by Borrower under the Note and other Loan Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding income taxes and franchise or other taxes (imposed in lieu of income taxes) imposed on Lender as a result of a present or former connection between Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") is required to be withheld from any amounts payable to Lender under the Note or other Loan Documents, the amounts so payable to Lender shall be increased to the extent necessary to yield to Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable with respect to the Loan at the rates or in the amounts specified in the Note or other Loan Documents. Whenever any Non-Excluded Taxes are payable by Borrower, as promptly as possible thereafter Borrower shall send to Lender a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing

authority or fails to remit to Lender the required receipts or other required documentary evidence, Borrower shall indemnify Lender for any incremental taxes, interest or penalties that may become payable by Lender as a result of any such failure. The agreements in this Section shall survive the termination of this Agreement and the payment of the Note and all other amounts payable in respect of the Loan.

Section 8.15. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 8.16. Governing Law; Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law). Borrower, Administrative Agent and each Lender hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York (or any county in New York State where any portion of the Property is located) over any suit, action or proceeding arising out of or relating to this Agreement, and Borrower hereby agrees and consents that, in addition to any methods of service of process provided for under applicable Law, all service of process in any such suit, action or proceeding in any New York State or Federal court sitting in The City of New York (or such other county in New York State) may be made by certified or registered mail, return receipt requested, directed to Borrower at the address indicated on the cover page hereof, and service so made shall be complete five (5) days after the same shall have been so mailed.

Section 8.17. Integration. The Loan Documents constitute the entire agreement among Administrative Agent, Borrower and Lenders relating to the transactions contemplated thereby (except with respect to agreements among Lenders or with Administrative Agent relating solely to compensation, consideration and the syndication of the Loan) and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 8.18. Releases. Provided no Default or Event of Default exists, Borrower shall have the right to obtain the release of any of the Properties from the Mortgage encumbering the same, at Borrower's expense, so long as (i) Borrower pays to Administrative Agent for the account of Lenders an amount equal to the lesser of (x) the greater of (A) the Release Price for the Property that is the subject of such release and (B) the amount necessary to reduce the Loan to an amount which satisfies the DSC Test on the basis of Net Operating Income from the parcels not being released or (y) the then outstanding principal amount of the Loan, which amount shall be applied to the reduction of outstanding principal under the Loan, (ii) Administrative Agent receives such reasonable documentation as Administrative Agent shall request confirming that the amount of any Additional Interest secured by the Mortgage encumbering the Property which is being released shall be secured by the credit of Guarantor, and (iii) Administrative Agent receives such other documents, opinions and assurances as Administrative Agent may reasonably request. Upon any such release of a Property, such Property shall no longer constitute a "Property" hereunder.

Section 8.19. Exculpation. Neither Borrower nor any Guarantor shall be personally liable for payment of the principal of the Note or interest thereon, and in the event of any failure by Borrower to pay any portion of such principal or interest, Lenders will look, with respect to the then outstanding balance of such principal and interest, solely to the Mortgaged Property and such other collateral as has been, or hereafter shall be, given to secure payment of the Note. The foregoing limitation on liability shall not impair or otherwise affect the validity or enforceability of (a) the debt evidenced by the Note or the Loan Agreement or of any other obligations evidenced by the Note, the Loan Agreement, the Mortgage or any of the Loan Documents or (b) Lenders' liens, security interests, rights and remedies (including, without limitation, the remedies of foreclosure and/or sale) with respect to the Mortgaged Property or any other property, security, collateral and/or assets (including the proceeds thereof) encumbered, pledged or assigned by the Mortgages or any other security for the Loan. In addition, the foregoing limitation on liability shall not limit anyone's obligations or be applicable with respect to: (i) liability under any guaranty(ies) or indemnity(ies) delivered or afforded to Lenders; (ii) any fraud or material misrepresentation; (iii) taxes of any kind (whether characterized as transfer, gains or other taxes) payable in connection with the foreclosure sale of the Mortgaged Property, irrespective of who pays such taxes; (iv) application of any proceeds of the Loan to any purpose other than as provided in the Loan Documents; (v) the application of any insurance or condemnation proceeds or other funds or payments other than strictly in accordance with the Loan Documents; (vi) the misapplication of any security deposits; (vii) rents, sales proceeds, or other sums received after default under the Loan Documents which are not applied to expenses of operating the Mortgaged Property or paid to Lenders or a duly appointed receiver of the Mortgaged Property; (viii) any failure to deliver to Lenders, after demand therefor, any agreements relating to the operation, management, leasing, use, occupancy or construction of the Mortgaged Property; (ix) any intentional physical waste in respect of the Mortgaged Property; (x) any failure to pay or discharge any real estate tax, other tax, assessment, fine, penalty or lien against the Mortgaged Property to the extent revenue from leases of the Mortgaged Property was available to pay same; (xi) liability as landlord under any lease(s) relating to the Mortgaged Property which liability accrued prior to Lenders' succeeding to such interest of Borrower, which Lenders are or become obligated for by virtue of Lenders succeeding to the interests of Borrower, provided, however, that such liability shall only apply with respect to any liability of Borrower under such leases which Lenders assumes pursuant to subordination, non-disturbance and attornment agreements required pursuant to the terms of such leases; (xii) liability under any agreement relating to the operation or maintenance of the Mortgaged Property which liability accrued prior to Lenders' succeeding to such interest of Borrower which Lenders are or become obligated for by virtue of Lenders succeeding to the interests of Borrower, provided, however, that such liability shall only apply with respect to agreements which are not terminable by their terms upon thirty (30) days' written notice; (xiii) liability to pay for the premiums on and keep in full force and effect insurance in respect of the Mortgaged Property in accordance with the Loan Documents to the extent revenue from leases of the Mortgaged Property was available to pay same; or (xiv) liability for Hazardous Substances that may exist upon or be discharged from the Mortgaged Property. Borrower and any Guarantor shall in any event be and shall remain personally liable for each of the matters to which

reference is made in the preceding sentence and Lenders may seek, obtain and enforce one or more money judgments in any appropriate proceeding(s) with respect thereto. The limitation on personal liability contained in this paragraph shall become automatically null and void and shall be of no further force or effect, and Borrower and each Guarantor shall be and remain personally liable for payment of the principal of the Note and interest thereon, in accordance with the terms and provisions of this Loan Agreement, in the event that Borrower, or anyone acting on behalf of Borrower, shall (A) file a petition or answer seeking any relief of any kind under the bankruptcy laws of the United States (or if an Insolvency Event shall otherwise occur), (B) assert in writing or in any legal proceedings of any kind that any provisions of any of the Loan Documents are in whole or in part unenforceable, invalid or not legally binding, or (C) fail fully to cooperate with Lenders or a receiver in Lenders' or such receiver's efforts to collect Rents directly from tenants after a default under the Loan Documents.

Section 8.20. Intentionally Omitted.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written, the execution hereof by Borrower constituting a certification by the party or parties executing on its behalf that the representations and warranties made in Article IV are true and correct as of the date hereof and that each of them duly holds and is incumbent in the position indicated under his or her name.

BANK OF AMERICA, N.A.

By _____
Denise M. Smyth
Senior Vice President

Address for notices and Applicable Lending Office:

Bank of America, N.A.
1185 Avenue of the Americas, 16th Floor
New York, New York 10036
Attention: Ms. Denise M. Smyth

RD BRANCH ASSOCIATES, L.P., a New York limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

Address for notices for all Borrowers:

c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Mr. Robert Masters

EXHIBIT A

Assignment and Assumption Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of _____, 200____, among [NAME OF ASSIGNING BANK] ("Assignor") and [NAME OF ASSIGNEE] ("Assignee").

Preliminary Statement

1. This Assignment and Assumption Agreement (this "Agreement") relates to the Loan Agreement (as the same may be amended from time to time, the "Loan Agreement") dated December 19, 2006 among _____ ("Borrower"), the lender(s) party thereto (each a "Lender" and, collectively, "Lenders") and _____, as administrative agent ("Administrative Agent"). All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Loan Agreement.

2. Subject to the terms and conditions set forth in the Loan Agreement, Assignor has made an Individual Loan Commitment to Borrower in an aggregate principal amount of \$_____ ("Assignor's Loan Commitment").

3. The aggregate outstanding principal amount under Assignor's Loan Commitment at the commencement of business on the date hereof is \$_____.

4. Assignor desires to assign to Assignee all of the rights of Assignor under the Loan Agreement in respect of a portion of Assignor's Loan Commitment and the loan made pursuant thereto, such portion being in an amount equal to \$_____ (the "Assigned Loan and Commitment"), of which \$_____ is currently outstanding and \$_____ is still to be disbursed to Borrower pursuant to the Loan Agreement; and Assignee desires to accept assignment of such rights and assume the corresponding obligations from Assignor on such terms.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Assignment. Assignor hereby assigns and sells to Assignee all of the rights of Assignor under the Loan Agreement in and to the Assigned Loan and Commitment, and Assignee hereby accepts such assignment from Assignor and assumes all of the obligations of Assignor under the Loan Agreement with respect to the Assigned Loan and Commitment, including, without limitation, Assignor's obligations with respect to the undisbursed portion, if any, thereof. Upon the execution and delivery hereof by Assignor, Assignee, Administrative Agent and the payment of the amount specified in Section 2 hereof required to be paid on the date hereof, (1) Assignee shall, as of the commencement of business on the date hereof, succeed to the rights and obligations of a Lender under the Loan Agreement with an Individual Loan Commitment in an amount

equal to the Assigned Loan and Commitment, and (2) the Individual Loan Commitment of Assignor shall, as of the commencement of business on the date hereof, be reduced correspondingly and Assignor released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee. Assignor represents and warrants that it (x) owns the Assigned Loan and Commitment free and clear of all liens and other encumbrances and (y) is legally authorized to enter into and perform this Agreement. Except as provided in the immediately preceding sentence, the assignment provided for herein shall be without representation or warranty by, or recourse to, Assignor.

SECTION 2. Payments. As consideration for the assignment and sale contemplated in Section 1 hereof, Assignee shall pay to Assignor on the date hereof, in immediately available funds, an amount equal to the outstanding principal amount under the Assigned Loan and Commitment recited in paragraph 4 of the Preliminary Statement above. Each of Assignor and Assignee hereby agrees that if it receives any amount under the Loan Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 3. Consent; Execution and Delivery of Note. This Agreement is conditioned upon the consent of Administrative Agent. The execution of this Agreement and Administrative Agent is evidence of this consent; **[Consents not required for certain assignments to entities related to a Lender.]** Pursuant to Section 8.07 of the Loan Agreement, Borrower has agreed to execute and deliver Notes payable to the respective orders of Assignee and Assignor to evidence the assignment and assumption provided for herein. Assignee has designated as its Applicable Lending Office, and as its address for notices, the office identified as such below.

SECTION 4. Non-Reliance on Assignor. Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of Borrower or any other party to any Loan Document, or the validity and enforceability of the obligations of Borrower or any other party to a Loan Document in respect of the Loan Agreement or any other Loan Document. Assignee acknowledges that it has, independently and without reliance on Assignor, and based on such documents and information as it has deemed appropriate, made its own analysis of the collateral for the Loan, credit analysis of Borrower and Guarantor and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the collateral for the Loan and of the business, affairs and financial condition of Borrower and the other parties to the Loan Documents.

SECTION 5. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law).

SECTION 6. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7. Certain Representations and Agreements by Assignee. Assignee represents that it is legally authorized to enter into and perform this Agreement. In addition, Assignee hereby represents that it is entitled to receive any payments to be made to it under the Loan Agreement or hereunder without the withholding of any tax and agrees to furnish the evidence of such exemption as specified therein and otherwise to comply with the provisions of Section 7.13 of the Loan Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[NAME OF ASSIGNOR]

By _____
Name:
Title:

[NAME OF ASSIGNEE]

By _____
Name:
Title:

Assignee's Applicable Lending Office and Address for Notices:

[Assignee]
[Address]
Attention: _____
Telephone: (____) _____

[NAME OF ADMINISTRATIVE AGENT]

By _____
Name:
Title:

[NAME OF BORROWER]

By _____

Name:

Title:

EXHIBIT B

Notice-of-Assignment of Lease
(On Letterhead of Borrower)

_____, 200_

[Name and Address of Tenant]

Re: Lease Dated:
Lender:
Address of Lender:
Mortgage Dated:

Dear Sir/Madam:

The undersigned has assigned by a mortgage or deed of trust (the "Mortgage") dated as shown above to the Lender identified above (hereinafter "Lender") all its estate, right, title and interest in, to and under the Lease between you and the undersigned dated as set forth above, as said Lease may have been heretofore modified or amended (the "Lease"), together with all right, title and interest of the undersigned as lessor thereunder, including, without limitation, the right upon the occurrence of an Event of Default (as defined in the Mortgage) to collect and receive all earnings, revenues, rents, issues, profits and income of the property subject to the Mortgage.

[Certain provisions of the Mortgage, the text of which are attached hereto, restrict some of the undersigned's rights under the Lease. However, s] [S]aid assignment does not impair or diminish any of our obligations to you under the provisions of the Lease, nor are any such obligations imposed upon Lender, its successors or assigns.

Pursuant to said assignment you are hereby notified that in the event of a demand on you by Lender or its successors and assigns for the payment to it of the rents due under the Lease, you may, and are hereby authorized and directed to, pay said rent to Lender and we hereby agree that the receipt by you of such a demand shall be conclusive evidence of Lender's right to the receipt thereof and that the payment of the rents by you to Lender pursuant to such demand shall constitute performance in full of your obligation under the Lease for the payment of rent to the undersigned.

NOTE: To be sent in accordance with notice requirements of the Lease.

* To be used if property located in New York

Kindly indicate your receipt of this letter and your agreement to the effect set forth below by signing the enclosed copy thereof and mailing it to Lender at its address identified above to the attention of its Real Estate Finance Office.

[BORROWER]

By _____
Name:
Title:

The undersigned acknowledges receipt of the original of this letter and agrees for the benefit of Lender that it shall notify Lender of any default on the part of the landlord under the Lease which would entitle the undersigned to cancel the Lease or to abate the rent payable thereunder, and further agrees that, notwithstanding any provision of the Lease, no notice of cancellation thereof, nor of any abatement, shall be effective unless Lender has received the notice aforesaid and has failed within 30 days of the date thereof to cure, or if the default cannot be cured within 30 days has failed to commence and to diligently prosecute the cure, of landlord's default which gave rise to the right to cancel or abate.

[NAME OF TENANT]

By _____
_____,
its authorized officer

EXHIBIT C

Required Contents of Borrower's Counsel Opinion

(1) If Borrower, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, is qualified to do business (or such opinion shall specifically state that such qualification is not required) and is in good standing in the jurisdiction in which the Property is located, and has full power and authority to consummate the transactions contemplated by the Loan Documents and to execute, deliver and perform all Loan Documents to which it is a party.

(2) There are no actions, suits or proceedings pending or threatened against or affecting Borrower, Guarantor, the Mortgaged Property, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Lender in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become payable under the Note or Guaranty or to otherwise pay and perform their respective obligations in connection with the Loan; neither Borrower nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

(3) The consummation of the transactions contemplated by and the performance of the Loan Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which either of them may be bound or affected.

(4) There exist no violations of any laws, statutes, ordinances, rules, orders, regulations or requirements of any Governmental Authorities with respect to the Improvements and that the use thereof complies with all applicable zoning and other laws, etc. and with all restrictions, covenants, leases and easements affecting the Mortgaged Property.

(5) The Property is not part of a larger tract of land owned by Borrower, its affiliates or Guarantor, or otherwise considered as part of one zoning or tax lot, or, if they are, that any authorization or variance required for the subdivision of such larger tract which a sale of the Property would entail has been obtained from all appropriate Governmental Authorities so that the Property and Improvements constitute one zoning or tax lot (including parking and utility facilities and street access, if relevant) capable of being conveyed as such.

Required Contents of Borrower's Local Counsel Opinion (and, if required by Lender, of a local counsel selected by Lender or its counsel)

(1) The Loan Documents have each been duly authorized, executed and delivered by the parties thereto (other than Lender) and, under the laws of the jurisdiction in which the Property is located (were such laws to apply), are valid and binding instruments enforceable against such parties in accordance with their respective terms, subject, however, to the qualifications that (a) some of the rights and remedies set forth in the Note and Mortgage may be limited by bankruptcy, insolvency, reorganization and other laws of general application to the enforcement of creditors' rights and (b) certain remedies and waivers contained in the Mortgage may be limited by applicable laws of said jurisdiction, none of which qualifications will materially interfere with the practical realization of the benefits and security provided by said documents except for the economic consequences of any procedural delay which may result therefrom.

(2) Considering the significant relationship that the State of New York has to the Loan, the courts of the jurisdiction in which the Property is located will, in all likelihood, honor any designations by the parties of New York as the governing law contained in the Loan Documents.

(3) The Mortgage will create the lien it purports to create on the property covered by the Mortgage and will effectively assign the leases purported to be assigned thereby if the Mortgage and any necessary UCC-1 financing statements are recorded or filed, as the case may be, and specifying local law requirements as to (1) the manner in which, and offices where, such recording and filing must be made and (2) the re-recording of the Mortgage and re-filing of the financing statements, all in order to establish, preserve and protect such lien and assignment and Lender's interest in the property covered by the Mortgage.

(4) In the event of a foreclosure or other method of enforcement of the remedies provided for in the Mortgage, any leases of the Mortgaged Property will, at the option of the holder of the Mortgage, remain in full force and effect between the lessees thereunder and such holder or any purchaser of the Mortgaged Property pursuant to such remedial action. The opinion shall state whether the foregoing results as a matter of law or by reason of compliance with Section 1.14(c) of the Mortgage.

(5) All rights of redemption in respect of the Mortgage will be extinguished upon the consummation of a sale of the Mortgaged Property pursuant to any remedial provisions provided for in the Mortgage, [or if the foregoing is not the case, the opinion shall specify the period of time which must expire following such consummation in order for said rights of redemption to be extinguished under local law, and shall state whether the applicable result obtains as a matter of law or pursuant to any waiver provided for in the Mortgage].

(6) There are no changes or additions to the Mortgage and other Loan Documents which are required by local law, and none which are customary in local

practice and which would not unreasonably enhance the rights and benefits of Lender thereunder.

(7) To such other effects as Lender or its counsel may reasonably require.

EXHIBIT D

Note

\$ _____

New York, New York
_____, 200__

For value received, RD BRANCH ASSOCIATES, L.P., a New York limited partnership ("Maker") hereby covenants and promises to pay to the order of [NAME OF LENDER] or its successors or assigns (collectively, "Lender"), at the principal office of BANK OF AMERICA, N.A. located at 1185 Avenue of the Americas, New York, New York 10036 ("Administrative Agent") for the account of the Applicable Lending Office of Lender, the principal sum of _____ Dollars (\$ _____), in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Maker also covenants and promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the time and at a rate per annum as provided in the Loan Agreement (as defined below). Any amount or principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the Default Rate.

This Note is [**one of**] the [**Existing**] [**New**] Note[s] referred to in the Loan Agreement dated as of the date hereof (as the same may be amended or supplemented from time to time, the "Loan Agreement") among Maker, as Borrower, the lenders named therein (including Lender), as Lenders, and Administrative Agent, as Administrative Agent for Lenders. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

This Note is secured by the Mortgage which contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events. Reference to the Mortgage is hereby made for a description of the "Mortgaged Property" encumbered thereby and the rights of Maker and Lenders (including Lender) with respect to such Mortgaged Property.

Maker agrees that it shall be bound by any agreement extending the time or modifying the terms of payment set forth above and in the Loan Agreement, made by or on behalf of Lenders and the owner or owners of the Mortgaged Property, whether with or without notice to Maker, and Maker shall continue liable to pay the amount due hereunder in accordance with the terms set forth herein and in the Loan Agreement, but with interest at a rate no greater than the rate of interest provided therein, according to the terms of any such agreement of extension or modification.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or any other court proceeding (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon default, Maker agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note shall be governed by the Laws of the State of New York (without giving effect to New York's principles of conflicts of law), provided that, as to the maximum lawful rate of interest which may be charged or collected, if the Laws applicable to Lender permit it to charge or collect a higher rate than the Laws of the State of New York, then such Law applicable to Lender shall apply to Lender under this Note.

Anything herein to the contrary notwithstanding, the obligations of Maker under this Note shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by Lender would be contrary to provisions of Law applicable to Lender limiting the maximum rate of interest that may be charged or collected by Lender.

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the date first above written.

RD BRANCH ASSOCIATES, L.P., a New York limited partnership

By: Acadia Property Holdings, LLC, its general partner

By: Acadia Realty Limited Partnership, its sole member

By: Acadia Realty Trust, its general partner

By _____
Robert Masters
Senior Vice President

EXHIBIT E-1

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

This Certificate is furnished pursuant to Section 6.11(3) of that certain Loan Agreement (“Loan Agreement”) by and among RD BRANCH ASSOCIATES, L.P. (“Borrower”) and BANK OF AMERICA, N.A. (“Lender”), Section 6.11(3) of which Loan Agreement was agreed to and acknowledged by ACADIA REALTY LIMITED PARTNERSHIP (“Guarantor”). Capitalized terms used in this Certificate and Schedule 1 attached hereto, unless otherwise defined herein or in said Schedule 1, have the meanings given to them in the Loan Agreement.

The undersigned, the _____ of Guarantor, hereby certifies to Lender that Schedule 1 attached hereto sets forth the financial data and computations relating to Guarantor’s compliance with the Liquidity Requirement, which data and computations, to the best knowledge and belief of the undersigned, are true, complete and correct.

The undersigned certifies that he/she is authorized to execute and deliver this Certificate on behalf of Guarantor.

WITNESS my hand this ___ day of _____, ____.

Name:

EXHIBIT E-2

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

This Certificate is furnished pursuant to Section 6.11(3) of that certain Loan Agreement ("Loan Agreement") by and among RD BRANCH ASSOCIATES, L.P. ("Borrower") and BANK OF AMERICA, N.A. ("Lender"), Section 6.11(3) of which Loan Agreement was agreed to and acknowledged by ACADIA REALTY LIMITED PARTNERSHIP ("Guarantor"). Capitalized terms used in this Certificate and Schedule 1 attached hereto, unless otherwise defined herein or in said Schedule 1, have the meanings given to them in the Loan Agreement.

The undersigned, the _____ of Guarantor, hereby certifies to Lender that Schedule 1 attached hereto sets forth the audited financial data and computations relating to Guarantor's compliance with the Net Worth Requirement and the Liquidity Requirement, which data and computations, to the best knowledge and belief of the undersigned, are true, complete and correct.

The undersigned certifies that he/she is authorized to execute and deliver this Certificate on behalf of Guarantor.

WITNESS my hand this ___ day of _____, _____.

Name:

EXHIBIT F
AUTHORIZATION LETTER

_____, 200_

[Name and address of Administrative Agent]

Re: Loan Agreement dated as of _____, 200_ (the "Loan Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement) among us, as Borrower, the Lenders named therein, and you, as Administrative Agent for said Lenders

Dear Sir/Madam:

In connection with the captioned Loan Agreement, we hereby designate any of the following persons to give to you instructions, including notices required pursuant to the Loan Agreement, orally, by telephone or teleprocess, or in writing:

Michael Nelsen
Robert Masters
Richard Hartmann
Jon Grisham

Instructions may be honored on the oral, telephonic, teleprocess or written instructions of anyone purporting to be any one of the above designated persons even if the instructions are for the benefit of the person delivering them. We will furnish you with written confirmation of each such instruction signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you, but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents.

You and Lenders shall be fully protected in, and shall incur no liability to us for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you or Lenders be liable for special, consequential or punitive damages. In addition, we agree to hold you and Lenders and your and their respective agents harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that we provide to you in connection with

the Loan Agreement except for liability, loss or expense occasioned by your gross negligence or willful misconduct.

Upon notice to us, you may, at your option, refuse to execute any instruction, or part thereof, without incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that we have agreed to in writing.

We will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no longer be authorized.

Very truly yours,

[BORROWER]

By _____
Name:
Title:

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**LIST OF AFFILIATES OF
ACADIA REALTY TRUST**

Acadia Realty Trust
Acadia Realty Limited Partnership

ACRS, Inc.

Acadia Bartow Avenue, LLC
Acadia Mad River Property LLC
Acadia Merrillville Realty, L.P.
Acadia Town Line, LLC
Blackman Fifty L.P.
Heathcote Associates, L.P.
Mark Plaza Fifty L.P.
Mark Twelve Associates, L.P.
Pacesetter/Ramapo Associates
RD Abington Associates Limited Partnership
RD Absecon Associates, L.P.
RD Bloomfield Associates Limited Partnership
RD Branch Associates L.P.
RD Columbia Associates, L.P.
RD Elmwood Associates, L.P.
RD Hobson Associates, L.P.
RD Methuen Associates Limited Partnership
RD Smithtown, LLC
RD Village Associates Limited Partnership
RD Whitegate Associates, L.P.
RD Woonsocket Associates Limited Partnership

Acadia 239 Greenwich Avenue, LLC
Acadia Heathcote, LLC
Acadia Merrillville Realty, Inc.
Acadia Pacesetter LLC
Acadia Property Holdings, LLC
Blackman Fifty Realty Corp.
Mark Plaza Fifty Realty Corp.
New Castle Fifty Realty Corp.
RD Absecon, Inc.

239 Greenwich Associates Limited Partnership
Crossroads II
Crossroads Joint Venture
Port Bay Associates, LLC

Acadia Realty Acquisition I, LLC
Acadia Strategic Opportunity Fund, LP

Acadia Amherst, LLC
Acadia Granville, LLC
Acadia Sheffield Crossing, LLC

Acadia Brandywine Condominium, LLC
Acadia Brandywine Subsidiary, LLC
Acadia Brandywine Town Center, LLC
Acadia Market Square, LLC

Acadia K-H, LLC
AmCap Acadia 8th Addition, LLC
AmCap Acadia 9th Addition, LLC
AmCap Acadia Agent, LLC
AmCap Acadia Atlanta LP
AmCap Acadia Batesville, LLC
AmCap Acadia Benton, LLC
AmCap Acadia Carthage LP
AmCap Acadia Cary, LLC
AmCap Acadia Cincinnati, LLC
AmCap Acadia Conroe LP
AmCap Acadia Great Bend, LLC
AmCap Acadia Hanrahan, LLC
AmCap Acadia Indianapolis, LLC
AmCap Acadia Irving LP
AmCap Acadia K-H Holding, LLC
AmCap Acadia K-H, LLC
AmCap Acadia Little Rock, LLC
AmCap Acadia Longview, LLC
AmCap Acadia Mustang, LLC
AmCap Acadia Pratt, LLC
AmCap Acadia Roanoke, LLC
AmCap Acadia Roswell, LLC

AmCap Acadia Ruidoso, LLC
AmCap Acadia San Ramon, LLC
AmCap Acadia Shreveport, LLC
AmCap Acadia Springerville, LLC
AmCap Acadia Tucson, LLC
AmCap Acadia Tulsa, LLC

Acadia Tarrytown, LLC
Acadia-Noddle Tarrytown Development Co., LLC

Acadia D.R. Management, Inc.
Acadia Hendon Hitchcock Plaza, LLC

Acadia Haygood, LLC
Acadia Sterling Heights, LLC

Acadia Realty Acquisition II, LLC
Acadia Strategic Opportunity Fund II, LLC

Acadia Crossroads, LLC
Crossroads Joint Venture, LLC
Crossroads II, LLC

Acadia New Loudon, LLC

Acadia Mervyn I, LLC
Acadia Mervyn II, LLC
Acadia Mervyn Investors I, LLC
Acadia Mervyn Investors II, LLC
Acadia Mervyn Promote Member I, LLC
Acadia Mervyn Promote Member II, LLC

Acadia-PA East Fordham Acquisitions, LLC
P/A-Acadia Pelham Manor, LLC
Acadia-P/A Holding Company, LLC

Acadia Crescent Plaza LLC

Acadia-P/A Canarsie, LLC

Acadia-P/A Sherman Avenue, LLC

Acadia Rockville, LLC

Acadia Berlin LLC

Acadia Boonton LLC

ABR Amboy Road LLC

APA 216st Street LLC

Acadia-P/A 161st Street LLC

Acadia-P/A Liberty LLC

Acadia Oakbrook LLC

Acadia Clark-Diversey LLC

Acadia Naamans Road LLC

Acadia Elmwood Park LLC

Acadia Chestnut LLC

Acadia-P/A GWB LLC

George Washington Bridge Bus Station Development Venture LLC

Acadia Shore Road LLC

Secor Pelham LLC

Acadia Albertsons Investors LLC

Acadia Shopko Investors LLC

Acadia Cub Foods Investors LLC

Acadia Walnut Hill LLC

Albee Development LLC

Acadia Medford Crossings LLC

Acadia Marsh Investors LLC

Acadia 2914 Third Avenue LLC

Acadia-P/A/T Albee LLC

Acadia-P/A Albee LLC

Albee Office Development LLC

Acadia Atlantic Avenue LLC

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-95966 and 333-87993) pertaining to the 1999 Share Incentive Plan of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 33-31630) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-139950) of Acadia Realty Trust in the Registration Statement (Form S-3 No. 333-114785) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-126712) of Acadia Realty Trust; and in the Registration Statement (Form S-8 No. 333-106758) pertaining to the 2003 Employee Share Incentive Plan of Acadia Realty Trust of our reports dated March 1, 2007, related to the consolidated financial statements and schedule and the effectiveness of internal control over financial reporting of Acadia Realty Trust included in this Annual Report on Form 10-K for the year ended December 31, 2006.

/s/ BDO Seidman, LLP

*New York, New York
March 1, 2007*

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-95966 and 333-87993) pertaining to the 1999 Share Incentive Plan of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 33-31630) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-139950) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-114785) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-126712) of Acadia Realty Trust; and in the Registration Statement (Form S-8 No. 333-106758) pertaining to the 2003 Employee Share Incentive Plan of Acadia Realty Trust, of our report dated November 30, 2006 with respect to the consolidated statements of income, shareholders' equity, and cash flows of Acadia Realty Trust and subsidiaries for the year ended December 31, 2004 included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ Ernst & Young LLP

*New York, New York
March 1, 2007*

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a — 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this annual report on Form 10-K of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
March 1, 2007

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a — 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Michael Nelsen, certify that:

1. I have reviewed this annual report on Form 10-K of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and
Chief Financial Officer
March 1, 2007

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of Acadia Realty Trust (the "Company") on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth F. Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein

President and Chief Executive Officer

March 1, 2007

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of Acadia Realty Trust (the "Company") on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Nelsen, Sr. Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael Nelsen

Michael Nelsen

Senior Vice President and

Chief Financial Officer

March 1, 2007