

Securities and Exchange Commission  
Washington, DC 20549  
FORM 10-K

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

For the fiscal year ended December 31, 1999  
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 23-2715194  
(State of incorporation) (I.R.S. employer identification no.)

20 Soundview Marketplace  
Port Washington, NY 11050 (516)767-8830  
(Address of principal executive offices) (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 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 X 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.

The aggregate market value of the voting common equity stock held by non-affiliates of the Registrant was approximately \$137.4 million based on the closing price on the New York Stock Exchange for such stock on March 22, 2000 (the Company has no non-voting common equity).

The number of shares of the Registrant's Common Shares of Beneficial Interest outstanding was 25,261,715 on March 22, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - Definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held May 16, 2000, 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 constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, affect demand for rental space, the availability and creditworthiness of prospective tenants, lease rents and the availability of financing; adverse changes in the Company's real estate markets, including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

PART I

ITEM 1. BUSINESS

GENERAL

Acadia Realty Trust (the "Company"), formerly Mark Centers Trust, was formed on March 4, 1993 as a Maryland Real Estate Investment Trust ("REIT"). The Company is a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers, and multi-family properties. The Company operates fifty-eight properties, which it owns or has an ownership interest in, consisting of forty-seven neighborhood and community shopping centers, three enclosed malls, two mixed use properties (a retail/office center and a retail/residential property), five multi-family properties and one redevelopment property which are all located in the Eastern and Midwestern

regions of the United States. The retail/office mixed use property is currently held for sale.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), previously Mark Centers Limited Partnership, and its majority owned subsidiaries. As of December 31, 1999, the Company controlled 71% of the Operating Partnership as the sole general partner.

On August 12, 1998 the Company completed the transactions contemplated by the Contribution and Share Purchase Agreement dated April 15, 1998 (the "RDC Transaction"). In connection with the RDC Transaction, the Operating Partnership acquired (i) fee title or all, or substantially all, of the ownership interests in twelve shopping centers, five multi-family properties and one redevelopment property, (ii) a 49% interest in one shopping center, (iii) certain third party management contracts, and (iv) certain promissory notes from real estate investment partnerships and related entities, which are not under common control, in which RD Capital, Inc. ("RDC") serves as general partner or in another similar management capacity, for approximately 11.1 million Operating Partnership Units ("OP Units") and approximately 2.0 million common shares of beneficial interest ("Common Shares") valued at \$97.2 million. In addition, the Company assumed mortgage debt aggregating \$154.2 million and incurred other capitalized transaction costs of \$5.8 million resulting in an aggregate purchase price of \$257.2 million. Pursuant to the terms of the RDC Transaction, the recipients of the OP Units and Common Shares were restricted, subject to certain limited exceptions, from selling or otherwise transferring such OP Units or Common Shares prior to the first anniversary of the closing of the RDC Transaction. As part of the RDC Transaction, the Company issued approximately 13.3 million Common Shares to three real estate investment limited partnerships (collectively "RDC Funds"), in which affiliates of RDC serve as general partner, in exchange for \$100.0 million. As a result of the RDC Transaction, the RDC Funds owned 63% of the Common Shares in the Company. Each of the RDC Funds appointed each of its partners as such RDC Funds' proxy with respect to the Common Shares to which such partner would be entitled upon a dissolution of such RDC Fund and a distribution of such Common Shares among the partners. Other real estate investment partnerships and related entities in which RDC or its affiliates serve as general partner or in another similar management capacity, owned 93% of the minority interest in the Operating Partnership as limited partners. Collectively, after giving effect to the conversion of their OP Units, which are generally exchangeable for Common Shares on a one-for-one basis, these entities and the RDC Funds beneficially owned 72% of the Common Shares as of the closing of the RDC Transaction. The Operating Partnership is also obligated to issue additional OP Units valued at \$2.8 million upon the completion of certain improvements and the commencement of rental payments from a designated tenant at one of the properties acquired in the RDC Transaction.

In March 2000, the RDC Funds, in accordance with their respective partnership agreements (the "RDC Fund Partnership Agreements"), distributed to their respective limited partners the Common Shares which had been issued to the RDC Funds in connection with the RDC Transaction. Pursuant to a registration and lock-up agreement, dated as of the date of the RDC Transaction (the "Registration Agreement"), in March 2000, the Company filed a registration statement with the Securities and Exchange Commission to permit the resale of such Common Shares, which registration statement was declared effective in March 2000. Pursuant to the RDC Fund Partnership Agreements and the Registration Agreement, such limited partners had agreed to certain restrictions on the sale of such Common Shares by such limited partners (the "Original Lock-Up Provisions"). In March 2000, such limited partners agreed, subject to certain conditions, to extend the term of the Original Lock-Up Provisions until December 28, 2000.

Concurrent with the closing of the RDC Transaction, the Company appointed Ross Dworman and Kenneth F. Bernstein, the Chief Executive Officer and Chief Operating Officer, respectively, of RDC, as the Chairman and Chief Executive Officer, and President, respectively, of the Company. Messrs. Dworman and Bernstein, together with two designees of RDC, were appointed to the Board of Trustees. Following the completion of the RDC Transaction, the Company changed its name from Mark Centers Trust to Acadia Realty Trust and the name of the Operating Partnership was changed from Mark Centers Limited Partnership to Acadia Realty Limited Partnership.

#### BUSINESS OBJECTIVES AND OPERATING STRATEGY

The Company's primary business objective is to acquire and manage commercial retail properties that will provide cash for distributions to shareholders while also creating potential for capital appreciation to enhance

investor returns. The Company's acquisition program focuses on acquiring sub-performing neighborhood and community shopping centers that are well-located and creating significant value through retreating, timely capital improvements and property redevelopment. In considering acquisitions, the Company focuses on quality shopping centers located in the Northeast, Mid-Atlantic, Southeast and Midwest regions. The Company considers both single assets and portfolios in its acquisition program. In conjunction with evaluating potential portfolio acquisitions, the Company also regularly engages in discussions with public and private entities regarding business combinations as well. Furthermore, the Company may, from time to time, consider acquiring multi-family apartment complexes as well as engaging in joint ventures related to property acquisition and development.

The Company typically holds its properties for long-term investment. As such, it continuously reviews the existing portfolio and implements 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. Upon evaluating the portfolio, the Company also periodically identifies certain properties for disposition and redeploys the capital to existing centers or acquisitions with greater potential for capital appreciation.

Operating functions such as leasing, property management, construction, finance and legal (collectively the "Operating Departments") are provided by Company personnel, providing for fully integrated property management and development. The Operating Departments' involvement in acquisitions is an essential component to the acquisition program. 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 an asset's strategic plan. All operating activities are supported by a management information system which was substantially upgraded in 1999 and provides management with the operating data necessary to make informed operating decisions on a timely basis. The Company also designed and implemented a web site in 1999 providing the investment community and prospective tenants with detailed financial and portfolio information.

#### PROPERTY ACQUISITIONS

The requirements that acquisitions be accretive based on the Company's long-term cost of capital as well as increase overall portfolio quality and value are core to the Company's acquisition program. When the blended cost of equity and debt increase, it is important to reduce acquisition activity to align the level of investment activity with capital flows. Due to a difficult capital market environment experienced throughout the REIT industry during 1999, the Company made the strategic decision to limit its acquisition program. As a result of what the Company considers this common sense approach, it believes it will be better positioned to take advantage of favorable acquisition opportunities in the event the capital markets improve. Consistent with this disciplined approach, the Company limited its acquisition activity during 1999 to three opportunistic investments as follows:

On November 16, 1999, the Company acquired 100% of the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center, a 96,000 square foot community shopping center located in Rockland County, New York. The aggregate purchase price of \$7.4 million consisted of the assumption of \$4.6 million in first mortgage debt and the issuance of \$2.2 million in preferred Operating Partnership units with the balance funded from working capital.

On May 5, 1999, the Company acquired the sole general partner's interest in the limited partnership owning the Gateway Mall (formerly the Mall 189), a 122,000 square foot shopping center located in Burlington, Vermont, for \$6.5 million. The interest, which is senior to the interests of the limited partners, was acquired out of bankruptcy by restructuring and assuming the mortgage debt of \$6.2 million. The balance of the purchase was funded from working capital. The Gateway Mall is in its early stages of redevelopment with anticipated completion in late 2001. The property is a partially enclosed mall that will be reconfigured into a conventional strip center format.

On February 24, 1999, the Company acquired the Mad River Station, a 154,000 square foot shopping center located in Dayton, Ohio for \$11.5 million. The Company assumed \$7.7 million in mortgage debt and funded the remaining purchase from working capital.

## PROPERTY DEVELOPMENT

In 1999, the Company completed the redevelopment of a 39,700 square foot building located in Greenwich, Connecticut, which consists of 17,000 square feet of retail space and 21 apartments (approximately 15,000 square feet). During June 1999, Restoration Hardware, the lead anchor for the center occupying 12,300 square feet of the retail space, commenced paying rent. The remaining retail space has been leased as well with occupancy anticipated during the second quarter of 2000. All twenty-one residential units are leased as of December 31, 1999. Costs incurred on this project, including the initial acquisition cost, totaled \$17.5 million.

During 1999, the Company also completed the following property development and expansions:

- The completion of a 10-screen theater at the Wesmark Plaza in Sumter, South Carolina.
- The expansion of a 42,000 square foot Waldbaum's (A&P) Supermarket to 65,000 square feet including a new parking lot and exterior facade at the Town Line Plaza in Rocky Hill, Connecticut.
- The installation of Walmart and Circuit City in approximately 121,000 and 33,000 square feet, respectively, as well as an 11,600 square foot expansion of Stern's Department Store in the Ledgewood Mall in Ledgewood, New Jersey. The installation of these tenants in addition to PharMor leasing 47,300 square feet resulted in a 94% occupancy level at the property as of December 31, 1999.

The Company also received municipal approval in 1999 to renovate and expand by approximately 30,000 square feet the 125,000 square foot Elmwood Park Shopping Center. As part of the redevelopment, the Company is planning to construct a 48,000 square foot free-standing A&P supermarket, replacing a 28,000 square foot in-line Grand Union supermarket at a significantly higher rent per square foot. The Company expects redevelopment costs of approximately \$9.1 million to complete this project in 2002. In conjunction with the A&P supermarket rent commencement, the Operating Partnership is also obligated to issue OP Units equal to \$2.8 million as previously discussed in the RDC Transaction.

## LEASING ACTIVITY

During 1999, the Company replaced several weak or formerly vacated anchor tenants with stronger retailers at various centers in connection with management's goal of repositioning and reanchoring of the portfolio. Anchor replacements included the following:

- Kmart replaced a former Caldors at the Crossroads Shopping Center (joint venture property), in White Plains, New York.
- A lease was executed with Ames Department Stores for 76,000 square feet, replacing a former Bradless at the New Loudon Center in Latham, New York. Rent is anticipated to commence during the second quarter of 2000.
- A lease was executed with Homegoods, Inc. (a TJX company) for 37,000 square feet, replacing a majority of the 43,000 square feet formerly occupied by Burlington Coat at the Bloomfield Town Square in Bloomfield, Michigan. Rent is expected to commence during the third quarter of 2000.
- A former BiLo grocery store (Penn Traffic Company) occupying 59,100 square feet was replaced by a Redner's Market at the Pittston Plaza and commenced paying rent during June 1999.
- Acme (Albertson's) currently occupying 44,824 square feet at the Marketplace at Absecon in Absecon, New Jersey, replaced a Super Fresh supermarket and commenced paying rent during September 1999.

The Company also recaptured two anchor spaces during 1999 as part of the Company's reanchoring activities. The first lease was acquired during August 1999 for 60,400 square feet from Montgomery Ward. This lease, which was for space located at the Northside Mall in Dothan, Alabama, was acquired for \$57,000 and provided for minimum rent of \$1.24 per square foot. The second, which was

acquired from Caldor's for \$400,000, was for 85,800 square feet located at the Methuen Shopping Center in Methuen, Massachusetts, and provided for minimum rent of \$2.20 per square foot. Although recapturing these lease resulted in an interim loss in revenues and a decline in overall portfolio occupancy, management anticipates these properties will be reanchored with stronger tenants at market rents, which are currently greater than the former rent on both of these spaces.

#### DISPOSITION OF PROPERTIES

In connection with the Company's ongoing program of evaluating its property portfolio and optimizing the portfolio for both cash flow and future capital appreciation, the Company sold two non-core assets during 1999. The Searstown Mall was sold on February 1, 1999 for a sale price of \$3.3 million and the Auburn Plaza on March 29, 1999 for \$3.5 million.

#### FINANCING STRATEGY

The Company intends to continue to finance 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 bank and other institutional borrowing, the issuance of equity and/or debt securities and the sale of properties. In 1999, the Company established the specific goal of enhancing the flexibility within its mortgage debt structure to better position itself to take advantage of favorable opportunities for portfolio and strategic transactions. This enhanced flexibility is currently being accomplished primarily through the use of variable rate debt and fixed rate debt with low prepayment penalties. Management believes it was largely successful in the pursuit of this goal while at the same time maintaining a debt service coverage ratio (including interest expense and principal amortization) of 1.94x for 1999. See Item 7A for a discussion on the Company's market risk exposure related to its mortgage debt.

#### FINANCIAL INFORMATION ABOUT MARKET SEGMENTS

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 notes to the consolidated financial statements appearing in Item 8 of this Annual Report on Form 10-K. The Company evaluates 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. The Company does not have any foreign operations. See the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K for certain information on industry segments as required by Item 1.

#### CORPORATE HEADQUARTERS AND EMPLOYEES

The Company's executive offices are located at 20 Soundview Marketplace, Port Washington, New York 11050, and its telephone number is (516) 767-8830. The Company has an internet Web address at [www.acadiarealty.com](http://www.acadiarealty.com). The Company has 168 employees of which 48 are located at the executive offices, 6 at the New York City corporate office, 13 at the Pennsylvania regional office and the remaining property management personnel are located on-site at the Company's properties.

#### COMPETITION

There are numerous shopping facilities that compete with the Company's properties in attracting retailers to lease space. In addition, there are numerous commercial developers and real estate companies that compete with the Company in seeking land for development, properties for acquisition and tenants for their properties. Also, retailers at the Company's properties face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing.

#### COMPLIANCE WITH GOVERNMENTAL REGULATIONS - ENVIRONMENTAL MATTERS

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. 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.

Upon conducting environmental site inspections in connection with obtaining the Morgan Stanley Mortgage Capital ("Morgan Stanley") financing during October 1996, certain environmental contamination was identified at the Troy Plaza in Troy, New York. The Company has entered into a voluntary remedial agreement with the State of New York for the remediation of the property. Environmental consultants have completed the remediation operations at the site and are performing a post-remediation sampling and analysis program. Upon the issuance of a final report to the State of New York, the Company will have satisfied all conditions to the voluntary remedial agreement. As of December 31, 1999, Morgan Stanley holds \$250,000 in escrow to be released upon the Company receiving final approval from the State of New York. Management is not aware of any other environmental liability that they believe would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

#### RETAIL ENVIRONMENT

##### Seasonality

The retail environment is seasonal in nature, particularly in the fourth calendar quarter when retail sales are typically at their highest levels. As such, contingent rents based on tenants achieving certain sales targets are generally higher in the fourth quarter when such targets are typically met.

##### Tenant Bankruptcies

Since January of 1999, certain tenants experienced financial difficulties and several have filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy laws ("Chapter 11"). Following are the significant bankruptcies to have occurred since then:

On March 1, 1999, the Penn Traffic Company ("Penn Traffic") filed for protection under Chapter 11. Penn Traffic, which operates grocery stores under the names "Bi-Lo Foods" and "P&C Foods", is a tenant at seven locations in the Company's portfolio comprising approximately 308,000 square feet. Rental revenues (including expense reimbursements) from Penn Traffic for the years ended December 31, 1999 and 1998 totaled \$1.0 million and \$2.4 million, respectively. Two of these leases were assigned to other supermarket operators, two of the leases were assumed by Penn Traffic, two leases were rejected and the tenant did not renew one lease following its expiration on April 30, 1999. During 1999, the Company received \$460,000 in settlement of claims filed related to the Chapter 11 proceedings for Penn Traffic which has since reorganized and emerged from bankruptcy.

On March 23, 1999, Factory Card Outlet filed for protection under Chapter 11. This retailer is a tenant at two locations in the Company's portfolio comprising approximately 19,000 square feet. Rental revenues from these two locations totaled \$283,000 and \$202,000 for the years ended December 31, 1999 and 1998, respectively. The tenant has neither affirmed nor rejected the leases at either of the locations.

On March 10, 2000, Eagle Supermarkets filed for protection under Chapter 11. This grocery is a tenant at one location in the Company's portfolio comprising approximately 52,000 square feet. Rental revenues from this tenant were \$327,000 and \$86,000 for the years ended December 31, 1999 and 1998, respectively. The tenant has neither affirmed nor rejected the lease.

In addition to the above bankruptcies, in August 1999, old America Stores, L.P. ceased operations and proceeded to undergo an orderly liquidation of assets for the benefit of its creditors. This tenant previously occupied stores in two locations, Martintown Plaza (18,000 square feet) and Wesmark Plaza (30,000 square feet). Rental revenues from these two locations totalled \$216,000 and \$132,000 for the years ended December 31, 1999 and 1998, respectively. A settlement has been agreed to pursuant to which the Company shall receive approximately \$45,000.

#### TAX STATUS - QUALIFICATION AS REAL ESTATE INVESTMENT TRUST

The Company has and currently transacts its affairs so as to qualify as, and has elected to be treated as, a real estate investment trust under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, a real estate investment trust that meets applicable requirements is not subject to Federal income tax to the extent that it distributes at least 95% of its REIT taxable income to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income tax on its taxable income.

ITEM 2. PROPERTIES

SHOPPING CENTER PROPERTIES

As of December 31, 1999, the Company owned and operated 53 shopping centers (including one property which is under redevelopment, two mixed-use centers and a shopping center in which the Company owns a 49% interest) totaling approximately 9.1 million square feet of gross leasable area ("GLA"). The Company's shopping centers, which are located in 16 states, are generally well-established, anchored community and neighborhood shopping centers. The shopping centers are diverse in size, ranging from approximately 45,000 to 516,000 square feet with an average size of 172,000 square feet. The Company's portfolio was approximately 89% occupied at December 31, 1999. The Company's shopping centers are typically anchored by a national or regional discount department store and/or a supermarket or drugstore.

The Company had 737 leases (including the mixed-use and joint venture properties) as of December 31, 1999 of which approximately 45% were with national or regional tenants. A substantial portion 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 94% of the Company's total revenues for the year ended December 31, 1999.

As of December 31, 1999, approximately 56% of the Company's 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 the Company of a certain percentage of a tenant's gross sales in excess of a stipulated annual amount. Percentage rents accounted for approximately 3% of the total 1999 revenues of the Company.

Six of the Company's shopping center properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to the Company. The Company pays rent for the use of the land and is responsible for all costs and expenses associated with the building and improvements.

No individual property contributed in excess of 10% of the Company's total revenues for the years ended December 31, 1999 and 1998. For the year ended December 31, 1997, greater than 10% of the Company's total rents were derived from leases at the Northwood Centre, a mixed-use (retail/office) property (See "Major Tenants" in Item 2).

The following sets forth more specific information with respect to each of the Company's shopping centers, mixed-use and joint venture properties at December 31, 1999:

Shopping Center Property	Location	Year Constructed(C) Acquired(A)	Ownership Interest	GLA	Occupancy (1) % 12/31/99	Anchor Tenants (2) Current Lease Expiration Lease Option Expiration
NEW ENGLAND REGION						
Connecticut						
239 Greenwich Avenue	Greenwich	1998 (A)	Fee	16,834 (3)	79%	Restoration Hardware 2015/2020
Town Line Plaza	Rocky Hill	1998 (A)	Fee	205,752 (4)	93%	Super Food Market (A&P) 2017/2052
Massachusetts						
Methuen Shopping Center	Methuen	1998 (A)	Fee	134,494	32%(5)	DeMoulas Market 2000/2015
Crescent Plaza	Brockton	1984 (A)	Fee (6)	216,095	100%	Bradlees 2009/2027 Shaw's 2012/2042
Rhode Island						
Walnut Hill Plaza	Woonsocket	1998 (A)	Fee	267,721	97%	Sears 2003/2033 Shaw's 2013/2043
Vermont						
The Gateway Shopping Center	Burlington	1999 (A)	Fee	117,394 (7)	62%	Grand Union 2005/2010
NEW YORK REGION						
New Jersey						



Berlin Shopping Center	Berlin	1994 (A)	Fee	187,296	88%	Kmart 2005/2049 Acme 2005/2015
Elmwood Park Plaza	Elmwood Park	1998 (A)	Fee	124,144 (8)	86%	Grand Union 2001/none
Ledgewood Mall	Ledgewood	1983 (A)	Fee	516,682	94%	The Sports' Authority 2007/2037 Stern's 2005/2030 Walmart 2019/2049 Circuit City 2020/2040
Manahawkin Village Shopping Center	Manahawkin	1993 (A)	Fee	175,261	100%	Kmart 2019/2069 Hoyt's Cinema 2018/2038
Marketplace of Absecon	Absecon	1998 (A)	Fee	91,699	96%	Acme 2015/2055
New York						
Branch Shopping Center	Village of the Branch	1998 (A)	LI (9)	125,812	99%	Grand Union 2013/2028 Pergament 2004/2019
New Loudon Center	Latham	1982 (A)	Fee	251,743	51%(10)	Price Chopper 2015/2035 Marshalls 2004/2009
Troy Plaza	Troy	1982 (A)	Fee	128,479	100%	Ames 2001/2016 Price Chopper 2004/2014
Smithtown Shopping Center	Smithtown	1998 (A)	Fee	87,155	90%	Daffy's 2008/2028 Walgreens 2021/none
Soundview Marketplace	Port Washington	1998 (A)	LI/Fee (9)	180,620	92%	King Kullen 2007/2022 Clearview Cinema Group 2010/2030 (subsidiary of Cablevision)
Pacesetter Park Shopping Center	Ramapo	1999 (A)	Fee	95,559	82%	Grand Union 2020/2040

Shopping Center Property	Location	Year Constructed(C) Acquired(A)	Ownership Interest	GLA	Occupancy (1) % 12/31/99	Anchor Tenants (2) Current Lease Expiration Lease Option Expiration
MID-ATLANTIC REGION						
Pennsylvania						
25th Street Shopping Center	Easton	1993 (A)	Fee	131,477	91%	CVS 2005/2010 Petco 2009/2018
Ames Plaza	Shamokin	1966 (C)	Fee	98,210	68%	Ames 2003/2013
Atrium Mall	Abington	1998 (A)	Fee	178,434	78%	SuperFresh (A&P) 2009/2039 (11) Circuit City 2009/2029 (11) TJ Maxx 2004/2014
Birney Mall	Moosic	1968 (C)	Fee	193,899	100%	Kmart 2004/2049 Consolidated Stores 2003/2008
Blackman Plaza	Wilkes-Barre	1968 (C)	Fee	117,456	99%	Kmart 2004/2044
Bradford Towne Centre	Towanda	1993 (C)	Fee	257,319	92%	Kmart 2019/2069 F&C Foods 2014/2024
Circle Plaza	Shamokin Dam	1978 (C)	Fee	92,171	100%	Kmart 2004/2049
Dunmore Plaza	Dunmore	1975 (A)	Fee (12)	45,380	96%	Price Chopper 2000/2020 Eckerd Drug 2004/2019
East End Centre	Wilkes-Barre	1986 (C)	Fee	308,427	100%	Ames 2007/2037 PharMor 2003/2017 Price Chopper 2008/2028
Green Ridge Plaza	Scranton	1986 (C)	Fee	197,622	67%	Ames 2007/2037
Kingston Plaza	Kingston	1982 (C)	Fee	64,824	100%	Price Chopper 2006/2026 Dollar General 2001/2007
Luzerne Street Shopping Center	Scranton	1983 (A)	Fee	57,715	100%	Price Chopper 2004/2024 Eckerd Drug 2004/2019
Mark Plaza	Edwardsville	1968 (C)	LI (9)	216,220	94%	Kmart 2004/2049
Monroe Plaza	Stroudsburg	1964 (C)	Fee	130,569	100%	Redner's Markets 2018/2028 Ames 2001/2019 Shoprite 2005/2023 Eckerd Drug 2002/2012
Mountainville Shopping Center	Allentown	1983 (A)	Fee	114,801	96%	Acme 2004/2028 True Value Hardware 2002/2010 Eckerd Drug 2004/2019
Pittston Plaza	Pittston	1994 (C)	Fee	79,568	100%	Redner's Markets 2018/2028 Eckerd Drug 2004 (13)
Plaza 15	Lewisburg	1995 (A)	Fee	113,530	98%	Weis Market 2001/2021 Ames 2001/2021
Plaza 422	Lebanon	1972 (C)	Fee	154,791	88%	Ames 2001/2021 Giant Food 2004 (14)
Route 6 Mall	Honesdale	1994 (C)	Fee	175,482	97%	Kmart 2020/2070
Shillington Plaza	Reading	1994 (A)	Fee	150,742	100%	Kmart 2004/2049 Weis Market 2001/2019
Tioga West	Tunkhannock	1965 (C)	Fee	122,338	100%	BiLo 2014/2024 Ames 2000/2015 Eckerd Drug 2000/2010 Fashion Bug 2009/2021
Union Plaza	New Castle	1996 (C)	Fee	217,992	100%	Sears 2011/2031 Ames 2017/2026 Pebbles 2018/2027
Valmont Plaza	West Hazleton	1985 (A)	Fee	200,164	79%	Ames 2007/2027
Virginia						
Kings Fairgrounds	Danville	1992 (A)	LI (9)	118,535	100%	Schewel Furniture 2001/2011 The Tractor Co. 2008/2023 CVS 2002/2012 (13)

Shopping Center Property	Location	Year Constructed(C) Acquired(A)	Ownership Interest	GLA	Occupancy (1) % 12/31/99	Anchor Tenants (2) Current Lease Expiration Lease Option Expiration
SOUTHEAST REGION						
Alabama						
Midway Plaza	Opelika	1984 (A)	Fee	207,538	71%	Office Depot 2007/2022 Carmike Cinema 2005/2015 Beall's Outlet Stores 2001/none
Northside Mall	Dothan	1986 (A)	Fee (9)	382,299	65%(15)	Wal-Mart 2004/2029
Florida						
New Smyrna Beach Shopping Center	New Smyrna Beach	1983 (A)	Fee	100,430	96%	DeMarsh Theater 2005/2015 Hardbodies Family Fitness 2008/none
Georgia						
Cloud Springs Plaza	Fort Oglethorpe	1985 (A)	Fee	113,367	96%	Food Lion 2011/2031 Consolidated Stores 2000/2005 Badcock Furniture 2000/2010
South Carolina						
Martintown Plaza	North Augusta	1985 (A)	LI (9)	133,892	89%	Belk's Store 2004/2024 Office Depot 2008/2018
Wesmark Plaza	Sumter	1986 (A)	Fee	215,198	87%	Staples 2005/2015 Theater Management 2009/2019 Goody's 2005/2015
MIDWEST REGION						
Illinois						
Hobson West Plaza	Naperville	1998 (A)	Fee	99,950	92%	Eagle Foods 2007/2032 (16)
Indiana						
Merrillville Plaza	Hobart	1998 (A)	Fee	235,420	94%	JC Penney 2008/2018 Office Max 2008/2028 TJ Maxx 2004/2009
Michigan						
Bloomfield Town Square	Bloomfield Hills	1998 (A)	Fee	213,903	92%	Burlington Coat 2009/2014 (17) Drug Emporium 2000/2020 TJ Maxx 2003/2013 Office Max 2010/2025
Ohio						
Mad River Station Shopping Center	Dayton	1999 (A)	Fee	153,968	94%	Office Depot 2000/2010 Babies `R` Us 2005/2020
MIXED-USE PROPERTY						
Florida						
Northwood Centre	Tallahassee	1985 (A)	Fee	500,012 (18)	96%	FL Dept of HRS 2004 FL Dept of Business and Professional Regulation 2006
PROPERTY HELD IN JOINT-VENTURE (19)						
New York						
Crossroads Shopping Center	Greenburgh	1998	JV	310,897	99%	Kmart 2012/2037 Waldbaum's (A&P) 2007/2032
				-----	----	
			Total	9,127,280	89%	
				=====	=====	

Notes:

- (1) Does not include space leased but not yet occupied by the tenant.
- (2) Tenant GLA comprises at least 10% of GLA for the center.
- (3) This represents the GLA related to the retail portion of this mixed-use property. The property also has 21 apartments (approximately 15,000 square feet). The remaining retail space has been leased but is not yet occupied as of December 31, 1999.
- (4) Includes a 92,500 square foot non-owned Walmart (formerly Caldors).
- (5) The Company recaptured a lease with Caldors for 85,800 square feet in October 1999. The lease provided for minimum rent of \$2.20 per square foot, which is below the prevailing market rate for rents.
- (6) During the term of the lease, Bradlees has the right of first refusal in the event that the Company sells all or a portion of the Crescent Plaza giving it the right to purchase on the same terms as a bona fide offer from a third party.
- (7) The Company purchased this property in May 1999. The property is a partially enclosed mall that will be reconfigured into a conventional strip center format.

- (8) The Company has signed a lease with A&P to construct a 48,000 free-standing building at this site.
- (9) The Company is a ground lessee under long-term ground leases.
- (10) Does not include 76,000 square feet leased, but not yet occupied, by Ames Department Stores as of December 31, 1999.
- (11) The Company is currently redeveloping this property. This tenant continues to pay rent but is currently not operating in their space.
- (12) The Company holds a fee interest in a portion of the Dunmore Plaza and an equitable interest in the land on the remaining portion. An industrial development authority holds the fee for this remaining portion and the equitable interest in the building on such remaining portion is held by an unrelated entity. The Company receives and accounts for most of its income from this property as percentage rent.
- (13) Includes space leased for which rent is being paid but which is not presently occupied.
- (14) This space is currently being sub-leased to a non-grocery store tenant.
- (15) The Company recaptured a lease with Montgomery Wards for 60,400 square feet in August 1999. The lease provided for minimum rent of \$1.24 per square foot, which is below the prevailing market rate for rents.
- (16) The tenant is currently operating under Chapter 11 of the United States Bankruptcy laws and has neither affirmed nor rejected the lease.
- (17) Subsequent to December 31, 1999, the Company recaptured the lease for 43,200 square feet with Burlington Coat and signed a lease with Homegoods, Inc. (a TJX company) for approximately 37,000 square feet of this space.
- (18) This property was held for sale as of December 31, 1999. On December 15, 1999, the Company received a Notice of Exercise of Right to Terminate Lease from the Florida Department of Health for an aggregate 59,150 square feet representing \$827,000 of rents.
- (19) The Company has a 49% investment in this property.

#### MAJOR TENANTS

No individual retail tenant accounted for more than 6.8% of minimum rents for the year ended December 31, 1999 or 11.1% of total leased GLA as of December 31, 1999. The following table sets forth certain information for the 25 largest retail tenants based upon minimum rents in place as of December 31, 1999 (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)
Kmart	9	924	\$ 3,432	11.1%	6.8%
Ames (3)	10	739	2,211	8.9%	4.4%
Price Chopper	6	267	1,559	3.2%	3.1%
Grand Union	4	175	1,365	2.1%	2.7%
A&P (Waldbaum's, Superfresh) (4)	2	110	1,338	1.3%	2.7%
Eckerd Drug (5)	16	179	1,331	2.2%	2.6%
Walmart	2	233	1,117	2.8%	2.2%
Shaw's	2	103	1,015	1.2%	2.0%
Acme (Albertson's)	3	109	948	1.3%	1.9%
Circuit City (4)	2	66	890	0.8%	1.8%
Redner's Supermarket	2	112	837	1.3%	1.7%
T.J. Maxx	5	130	825	1.6%	1.6%
PharMor	2	90	797	1.1%	1.6%
Sears	2	160	703	1.9%	1.4%
Penn Traffic (Bilo, P&C Foods)	2	86	636	1.0%	1.3%
Sterns (Federated)	1	62	618	0.7%	1.2%
CVS	6	63	599	0.8%	1.2%
JC Penney	2	73	547	0.9%	1.1%
Clearview Cinemas (6)	1	25	518	0.3%	1.0%
Payless Shoe Source	12	41	513	0.5%	1.0%
Blockbuster Video	4	23	495	0.3%	1.0%
Office Depot	3	84	443	1.0%	0.9%
Walgreens	2	19	420	0.3%	0.8%
Marshalls	2	53	417	0.6%	0.8%
King Kullen Grocery	1	41	414	0.5%	0.8%
Total	103	3,967	\$23,988	47.7%	47.6%

- (1) Base rents do not include percentage rents, additional rents for property expense reimbursements, or contractual rent escalations due after December 31, 1999.
- (2) Total GLA and annualized base rent for the Company's retail properties, excluding mixed-use and joint venture properties.
- (3) Does not include leased space at the New Loudon Center for which rent payment has not yet commenced.

- (4) The Company is currently redeveloping the Atrium Mall. The A&P Supermarket and Circuit City at this center are currently paying rent, but have ceased operating at this location.
- (5) Subsidiary of JC Penney.
- (6) Subsidiary of Cablevision.

In 1999, approximately 5.9% of the Company's total revenue was derived from current leases of office space and specialized computer facilities with four agencies of the State of Florida at the Northwood Centre in Tallahassee, Florida; the Florida Department of Children and Families (3.2%), the Florida Department of Business Professional Regulation (1.8%), the Florida Department of Health and Rehabilitative Services (0.7%) and the Florida Department of Revenue (0.2%). During 1998, the State of Florida renewed leases for approximately 59,000 and 123,000 square feet with lease terms of five and seven years, respectively. Leases with these Florida agencies contain customary conditions, required under Florida law, permitting state agency tenants to cancel their leases upon six months' notice in the event that state-owned office facilities in the same county become available. These leases do not provide for early termination penalties. There are currently state-owned facilities available in the county and the State of Florida periodically reassesses its options with respect to such leases including those of the Company. On December 15, 1999, the Company received a Notice of Exercise of Right to Terminate Lease from the Florida Department of Health and Rehabilitative Services for approximately 59,000 square feet representing \$827,000 of rents. The Company would be further adversely affected in the event that the State of Florida exercises its right to cancel the lease for any other space it currently leases. This property is currently held for sale by the Company.

#### LEASE EXPIRATIONS

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 1999, assuming that none of the tenants exercise renewal options. The table does not include leases related to the Company's mixed-use and joint venture properties (GLA and rent in thousands):

December 31, -----	Number of Leases Expiring	GLA of Expiring Leases	Annualized Base Rent (1)	Percentage of Total Represented by Expiring Leases	
				Leased GLA	Annualized Base Rent
-----	-----	-----	-----	-----	-----
2000	157	660	4,901	9%	10%
2001	100	744	3,958	10%	5%
2002	83	382	3,480	5%	9%
2003	73	502	3,914	7%	8%
2004	78	1,330	6,463	18%	13%
2005	45	617	4,351	8%	9%
2006	16	147	1,149	2%	2%
2007	20	551	3,025	8%	6%
2008	28	349	3,126	5%	6%
2009	27	525	3,413	7%	7%
Thereafter	35	1,540	12,591	21%	25%
Total	662	7,347	\$50,371	100%	100%
	====	=====	=====	=====	=====

- (1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 1999. The table does not include activity related to the Company's mixed-use or joint venture properties

#### GEOGRAPHIC CONCENTRATIONS

The following table summarizes the Company's retail properties (including mixed-use and joint venture properties) by region as of December 31, 1999 (GLA and rent in thousands):

Region	GLA	Occupied %	Annualized Base Rent (1)	Annualized Base Rent per Leased Square Foot	Represented by Region	
					GLA	Annualized Base Rent
New England	941	83%	\$ 5,143	\$ 6.56	10%	8%
New York Region	1,964	88%	18,210	10.56	22%	30%
Mid-Atlantic	3,538	93%	16,866	5.15	39%	27%
Southeast	1,153	79%	3,883	4.28	12%	6%
Midwest	703	93%	6,268	9.57	8%	10%
	8,299	89%	50,371	6.86	91%	81%
Mixed-Use Property	517	95%	7,089	14.42	6%	11%
Joint Venture Property	311	99%	4,889	15.89	3%	8%
Total	9,127	89%	\$ 62,349	\$ 7.65	100%	100%

(1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 1999.

#### MULTI-FAMILY PROPERTIES

The Company owns five multi-family properties located in the Mid-Atlantic and Midwest regions. The properties average 455 units and as of December 31, 1999, had an average occupancy rate of 92%. The following sets forth more specific information with respect to each of the Company's multi-family properties at December 31, 1999:

Multi-family Property	Location	Year Acquired	Ownership Interest	Units	% Occupied 12/31/99
Maryland					
Glen Oaks Apartments	Greenbelt	1998	Fee	463	98%
Marley Run Apartments	Pasadena	1998	Fee	336	94%
Missouri					
Gate House, Holiday House, Tiger Village	Columbia	1998	Fee	592	97%
Colony Apartments	Columbia	1998	Fee	282	98%
North Carolina					
Village Apartments	Winston Salem	1998	Fee	600	77%
		Totals		2,273	92%

#### ITEM 3 LEGAL PROCEEDINGS

On November 20, 1995, Jack Wertheimer, a former President of the Company, filed a complaint against the Company, its Trustees, including Mr. Slomowitz, and the Company's former in-house General Counsel and former Chief Financial Officer in the United States District Court for the Middle District of Pennsylvania. The complaint, which was filed in connection with the termination of Mr. Wertheimer's employment, included many of the allegations raised in a state court proceeding commenced by Mr. Wertheimer in November 1994. The Federal court complaint also included a civil RICO action in which Mr. Wertheimer alleged that the Board of Trustees of the Company conspired with Mr. Slomowitz to terminate Mr. Wertheimer's employment as part of Mr. Slomowitz's breach of his duty of good faith and fair dealing. Further, Mr. Wertheimer alleged that the above defendants engaged in securities fraud in connection with the initial public offering and that Mr. Slomowitz defrauded or overcharged the Company in corporate transactions. The Federal complaint sought treble damages under RICO, as well as damages arising from Mr. Wertheimer's alleged termination of employment, invasion of privacy, intentional infliction of emotional distress, fraud and misrepresentation.

On December 31, 1998, the Company and Mr. Wertheimer settled this litigation and entered into an agreement whereby the Company paid Mr. Wertheimer \$1.0 million on December 31, 1998 and agreed to pay him (i) \$900,000 on April 1, 1999, which was paid on such date, and (ii) five annual payments of \$200,000 commencing

January 10, 2000, the first of which was paid on such date. Pursuant to this agreement, the Company has obtained a standby letter of credit to collateralize these future payments.

The Company is involved in other 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.

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 1999.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(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 (the "NYSE"), and cash dividends paid during the two years ended December 31, 1999 and 1998.

Quarter Ended -----	High ---	Low ---	Dividend Per Share -----
1999			
March 31, 1999	5 1/2	5	\$ 0.12
June 30, 1999	5 3/4	4 15/16	0.12
September 30, 1999	5 5/8	5	0.12
December 31, 1999	5 3/16	4 1/2	0.12
1998			
March 31, 1998	9 3/16	8 3/4	\$ --
June 30, 1998	8 7/8	7 7/16	--
September 30, 1998	7 5/8	5 3/16	--
December 31, 1998	6 1/4	4 15/16	--

At March 22, 2000, there were 213 holders of record of the Company's Common Shares.

(b) Dividends

The Company has determined that 41% of the total dividends distributed to shareholders in 1999 represented ordinary income, while the remaining 59% represented return of capital. The Company's cash flow is affected by a number of factors, including the revenues received from rental properties, the operating expenses of the Company, the interest expense on its borrowings, the ability of lessees to meet their obligations to the Company and unanticipated capital expenditures. Future dividends paid by the Company will be at the discretion of the Trustees and will depend on the actual cash flows of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant.

ITEM 6 SELECTED FINANCIAL DATA

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

Years ended December 31,

	1999	1998 (1)	1997	1996	1995
<b>OPERATING DATA:</b>					
Revenues	\$ 92,709	\$ 59,771	\$ 44,498	\$ 43,796	\$ 43,332
Operating expenses	38,483	28,485	17,055	17,868	16,374
Interest and other financing expense	23,314	18,302	15,444	12,733	10,598
Depreciation and amortization	19,887	15,795	13,768	13,398	11,820
Total	81,684	62,582	46,267	43,999	38,792
	11,025	(2,811)	(1,769)	(203)	4,540
Non-recurring charges (2)	-	(2,249)	-	-	-
Equity in earnings of unconsolidated partnerships	584	256	-	-	-
Adjustment of carrying value of property held for sale	-	(11,560)	-	(392)	-
Income (loss) before (loss) gain on sale, extraordinary items and minority interest	11,609	(16,364)	(1,769)	(595)	4,540
(Loss) gain on sale of property	(1,284)	(175)	(12)	21	93
Extraordinary items - loss on early extinguishment of debt	-	(707)	--	(190)	--
Minority interest	(3,130)	3,348	217	40	(833)
Net income (loss)	\$ 7,195	\$ (13,898)	\$ (1,564)	\$ (724)	\$ 3,800
Net income (loss) per Common Share - basic and diluted	\$ 0.28	\$ (0.91)	\$ (0.18)	\$ (0.08)	\$ 0.44
Weighted average number of Common Shares outstanding - basic	25,708,787	15,205,962	8,551,930	8,546,553	8,540,631
- diluted (3)	25,708,787	15,205,962	8,551,930	8,546,553	8,563,466
Funds from Operations (4)	\$ 31,160	\$ 15,073	\$ 11,003	\$ 12,536	\$ 15,388
Funds from Operations per share (5)	\$ 0.85	\$ 0.74	\$ 1.08	\$ 1.23	\$ 1.51
<b>BALANCE SHEET DATA:</b>					
Real estate before accumulated depreciation	\$ 569,521	\$ 551,249	\$ 311,688	\$ 307,411	\$ 291,157
Total assets	570,803	528,512	254,500	258,517	249,515
Total mortgage indebtedness	326,651	277,561	183,943	172,823	151,828
Minority interest - Operating Partnership	74,462	79,344	9,244	10,752	13,228
Total equity	152,487	154,591	48,800	56,806	69,779

Notes:

- (1) Activity for the year ended December 31, 1998 includes the operations of the properties acquired in the RDC Transaction from August 12, 1998 through December 31, 1998.
- (2) Non-recurring charges represent expenses incurred related to the RDC Transaction including payments made to certain officers and key employees pursuant to change in control provisions of employment contracts, severance paid to Mr. Slomowitz, retention bonuses for certain employees and transaction-related consulting and professional fees.
- (3) For 1999 through 1996, the weighted average number of shares outstanding on a diluted basis is not presented as the inclusion of additional shares is anti-dilutive.
- (4) The Company, along with most industry analysts, consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") as an appropriate supplemental measure of operating performance. However, FFO does not represent cash generated from operations as defined by generally accepted accounting principles and is not indicative of cash available to fund cash needs. 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. Generally, NAREIT defines FFO as net income (loss) before gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash charges, primarily depreciation and amortization of capitalized leasing costs. FFO for the 1998 through 1995 has been restated to include straight-line rent.

- (5) Includes weighted average OP Units as follows: 1999 - 10,883,184; 1998 - 5,252,815; 1997 and 1996 - 1,623,000; 1995 - 1,621,937; 1994 - 1,621,000.

#### ITEM 7 - MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements of the Company (including the related notes thereto) appearing elsewhere in this Annual Report. Certain statements contained in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, affect demand for rental space, the availability and creditworthiness of prospective tenants, lease rents and the availability of financing; adverse changes in the Company's real estate markets, including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

#### RESULTS OF OPERATIONS

Comparison of the year ended December 31, 1999 ("1999") to the year ended December 31, 1998 ("1998")

The following comparison references the effect of the properties acquired on August 12, 1998 as a result of the RDC Transaction (the "RDC Properties").

Total revenues increased \$32.9 million, or 55%, to \$92.7 million for 1999 compared to \$59.8 million for 1998.

Minimum rents increased \$26.1 million, or 56%, to \$73.0 million for 1999 compared to \$46.9 million for 1998. \$21.4 million, or 82%, of the increase was attributable to the RDC Properties. \$1.4 million, or 5%, of the increase was attributable to amounts received as a result of two settlements. The first settlement was related to the liability of a tenant-assignor of a lease to a former tenant who had filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy laws ("Chapter 11") and the second was with respect to certain claims related to the Chapter 11 proceedings for the Penn Traffic Company. The remaining increase was primarily due to two property acquisitions, a redevelopment project placed in service subsequent to 1998, and anchor replacements at the Ledgewood Mall.

Percentage rents increased \$343,000, or 13%, to \$3.0 million for 1999 compared to \$2.7 million for 1998. This increase was primarily attributable to the RDC Properties and the impact from the Company's adopting the Emerging Issue Task Force ("EITF") Issue No. 98-9 "Accounting for Contingent Rent in Interim Financial Periods" as of April 1, 1998 (subsequently codified with Staff Accounting Bulletin No. 101 "Revenue Recognition").

Expense reimbursements increased \$5.1 million, or 59%, for 1999, of which \$3.8 million resulted from the RDC Properties. The remaining increase was primarily attributable to anchor replacements at the Ledgewood Mall and an increase in expense recoveries resulting from increased contract services, primarily snow removal, as a result of the comparatively mild winter season in 1998.

Other income increased \$1.4 million, of which \$625,000 resulted from the RDC Properties and \$442,000 was due to management fees which were earned under four contracts acquired in the RDC Transaction. The remaining increase was attributable to additional interest income resulting from a higher balance of interest earning assets in 1999.

Total operating expenses increased \$11.9 million, or 26%, to \$58.4 million for 1999, from \$46.5 million for 1998.

Property operating expenses increased \$7.4 million, or 52%, to \$21.6 million for 1999 compared to \$14.2 million for 1998. \$6.4 million, or 86% of the increase, was attributable to the RDC Properties. The remaining increase was due to additional staffing in the leasing and property management departments following the RDC Transaction and an increase in contract services, primarily snow removal, as a result of the comparatively mild winter season in 1998. This



increase was partially offset against a decrease in estimated claims related to the Company's property-related liability insurance policies.

Real estate taxes increased \$3.0 million, or 40%, from \$7.5 million for 1998 to \$10.5 million for 1999. This increase was primarily attributable to the RDC Properties.

#### RESULTS OF OPERATIONS

Comparison of the year ended December 31, 1999 ("1999") to the year ended December 31, 1998 ("1998"), continued

Depreciation and amortization increased \$4.1 million, or 26%, for 1999 primarily attributable to the RDC Properties. This increase was partially offset by the effect from the sale of two properties during the first quarter of 1999 and the sale of a property in December 1998.

General and administrative expense increased \$1.9 million, or 44%, from \$4.4 million for 1998 to \$6.3 million for 1999, which was primarily attributable to additional staffing and administration costs following the RDC Transaction.

See the following comparison of 1998 to 1997 for a discussion of non-recurring charges, settlement of litigation, adjustment of carrying value of property held for sale and extraordinary item - loss on extinguishment of debt for 1998.

Interest expense of \$23.3 million for 1999 increased \$5.0 million, or 27%, from \$18.3 million for 1998. This increase was primarily attributable to the mortgage debt associated with the RDC Properties partially offset by the paydown of certain existing debt with the proceeds from the RDC Transaction. Contributing further to this increase was an additional \$49.1 million of outstanding debt as of December 31, 1999 as a result of new borrowings made subsequent to 1998.

Comparison of the year ended December 31, 1998 ("1998") to the year ended December 31, 1997 ("1997")

Total revenues increased \$15.3 million, or 34%, to \$59.8 million in 1998 compared to \$44.5 million in 1997.

Minimum rents increased \$13.2 million, or 39%, to \$46.9 million for 1998 compared to \$33.7 million for 1997. \$12.6 million, or 95% of this increase was attributable to the RDC Properties. The remaining increase was primarily a result of increases at the Mark Plaza and Ledgewood Mall.

Percentage rents decreased \$532,000, or 17%, to \$2.7 million for 1998 compared to \$3.2 million for 1997 primarily as a result of the impact from the Company adopting the Emerging Issue Task Force ("EITF") Issue No. 98-9 "Accounting for Contingent Rent in Interim Financial Periods" as of April 1, 1998 (Subsequently codified by the Securities and Exchange Commission Staff Accounting Bulletin No. 101 "Revenue Recognition").

Expense reimbursements of \$8.6 million for 1998, which represent the pass-through of certain property expenses to the tenants, increased \$2.0 million, or 31%, from \$6.6 million for 1997 of which \$2.1 million of the increase was a result of the RDC Properties.

Other income increased \$511,000, or 50%, to \$1.5 million for 1998 compared to \$1.0 million for 1997. \$240,000 of this increase was attributable to third party management fees earned related to certain management contracts acquired in connection with the RDC Transaction. The remaining increase was primarily attributable to the RDC Properties and an increase in interest earning assets in 1998.

Total 1998 operating expenses increased \$15.7 million, or 51%, to \$46.5 million compared to \$30.8 million in 1997.

Property operating expenses increased \$5.2 million, or 57%, to \$14.2 million for 1998 from \$9.0 million for 1997. \$4.1 million, or 79% of this increase was attributable to the RDC Properties. The remaining increase was primarily due to (i) the recording of reserves of \$250,000 against unbilled rents receivable ("straight-line rent") for certain leases with Penn Traffic, which filed for Chapter 11 protection under bankruptcy law in March of 1999, (ii) an increase in estimated claims of \$450,000 related to the Company's property liability insurance policies offset by (iii) the reversal of a \$245,000 reserve for environmental remediation costs for the Cloud Springs Plaza in 1997 following notification from the Georgia Department of Natural Resources that contamination exceeding a reportable quantity had not occurred.

Real estate taxes increased \$1.8 million, or 32%, to \$7.5 million for 1998 from \$5.7 million for 1997 of which \$1.7 million of the increase was due to the RDC

Properties.

#### RESULTS OF OPERATIONS

Comparison of the year ended December 31, 1998 ("1998") to the year ended December 31, 1997 ("1997"), continued

Depreciation and amortization increased \$2.0 million, or 15%, to \$15.8 million for 1998 from \$13.8 million for 1997 of which \$1.9 million of the increase was attributable to the RDC Properties.

General and administrative expense increased \$2.0 million, or 88%, to \$4.4 million for 1998 from \$2.4 million for 1997 which was primarily attributable to additional staffing and administrative costs following the RDC Transaction.

Non-recurring charges of \$2.2 million in 1998 were related primarily to payments made to certain officers and key employees pursuant to change in control provisions of employment contracts, severance paid to the Former Principal Shareholder, retention bonuses for certain employees and RDC Transaction-related consulting and professional fees.

Settlement of litigation of \$2.4 million in 1998 resulted from the agreement between the Company and its former President whereby the Company paid \$1.0 million in 1998 and recorded a liability of \$1.4 million based on future contractual payments to be made commencing April 1999 through January 2004.

Equity in earnings of unconsolidated partnerships in 1998 are a result of the 49% interest in the Crossroads Shopping Center acquired by the Company in the RDC Transaction.

The adjustment of carrying value of property held for sale represents a 1998 non-cash charge of \$11.6 million to write-down three properties to their estimated net realizable value pursuant to a disposition plan. One of these properties was sold in 1998 for which an additional loss of \$175,000 was recognized. A second property was sold in February 1999 and the Company has entered into a contract in March 1999 to sell the third property.

Interest expense increased \$2.9 million, or 19%, to \$18.3 million in 1998, compared to \$15.4 million in 1997 of which \$2.8 of the increase was attributable to the RDC Properties.

The \$707,000 extraordinary loss is a result of the write-off of deferred financing fees as a result of the repayment of the related mortgage debt.

#### RESULTS OF OPERATIONS, continued

##### Funds from Operations

The Company, along with most industry analysts, consider funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") as an appropriate supplemental measure of operating performance. However, FFO does not represent cash generated from operations as defined by generally accepted accounting principles and is not indicative of cash available to fund cash needs. 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.

Generally, NAREIT defines FFO as net income (loss) before gains (losses) on sales of property, non-recurring charges and extraordinary items, adjusted for certain non-cash charges, primarily depreciation and amortization of capitalized leasing costs. The reconciliation of net income to FFO for the years ended December 31, 1999, 1998 and 1997 is as follows:

##### Reconciliation of Net Income (Loss) to Funds from Operations (a)

	For the Years Ended December 31,		
	1999	1998	1997
	-----	-----	-----
Net income (loss)	\$ 7,195	\$ (13,898)	\$ (1,564)
Depreciation of real estate and amortization of leasing costs:			
Wholly owned and consolidated partnerships	18,949	14,925	12,993

Unconsolidated partnerships	626	231	--
Non-recurring RDC transaction charges (b)	--	2,249	--
Settlement of Litigation	--	2,358	--
Income (loss) attributable to minority interest (c)	3,106	(3,348)	(217)
Loss on sale of property	1,284	175	12
Adjustment of carrying value of property held for sale	--	11,560	--
Other adjustments	--	114	(221)
Extraordinary item - loss on extinguishment of debt	--	707	--
	-----	-----	-----
Funds from operations	\$31,160	\$ 15,073	\$11,003
	=====	=====	=====
Funds from operations per share (d)	\$ 0. 85	\$ 0.74	\$ 1. 08
	=====	=====	=====

Notes:

- (a) FFO for the years ended December 31, 1998 and 1997 have been restated to include straight-line rents (net of write-offs) of \$353 and \$176, respectively.
- (b) The Company acquired substantially all of the interests of RD Capital on August 12, 1998.
- (c) Does not include a distribution of \$24 paid to Preferred OP Unitholders for the year ended December 31, 1999.
- (d) FFO per share is computed based on the weighted average number of Common Shares outstanding for the years ended December 31, 1999, 1998 and 1997 of 25,708,787,15,205,962 and 8,551,930, respectively. It also assumes full conversion of a weighted average 10,833,184, 5,252,815 and 1,623,000 OP Units into Common Shares for the years ended December 31, 1999, 1998 and 1997, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Financing and Debt

At December 31, 1999, mortgage notes payable aggregated \$326.7 million and were collateralized by 49 properties and related tenant leases. Interest on the Company's mortgage indebtedness ranged from 7.5% to 9.6% with maturities that ranged from April 2000 to March 2022. Of the total outstanding debt, \$254.1 million, or 78%, was carried at fixed interest rates with a weighted average of 8.4% and \$72.6 million, or 22%, was carried at variable rates with a weighted average of 8.0%. Of the total outstanding debt, \$136.1 million will become due by 2001, with scheduled maturities of \$94.9 million at a weighted average interest rate of 8.5% in 2000 and \$41.2 million with a weighted average interest rate of 7.8% in 2001. As the Company does not anticipate having sufficient cash on hand to repay such indebtedness, it will need to refinance this indebtedness or select other alternatives based on market conditions at that time.

The following summarizes the financing and refinancing transactions since December 31, 1998:

On February 8, 2000, the Company closed on a revolving credit facility with a bank, which provides for the borrowing of up to \$7.4 million. The facility, which is secured by one of the Company's properties, matures in March 2003 and requires the monthly payment of interest at the rate of LIBOR plus 150 basis points (the rate increases by an additional 25 basis points if the amount outstanding under the facility exceeds 50% of the value of the collateral). The monthly repayment of principal amortized over 25 years is required only if the Company draws the full amount available under the facility. The Company has currently not drawn any amounts under this facility.

On January 31, 2000, the Company paid down \$23.1 million of outstanding debt with a life insurance company from working capital.

On December 16, 1999, the Company closed on a \$13.8 million bank loan. The variable-rate debt, which is secured one of the Company's properties, matures in January 2005, bears interest at LIBOR plus 165 basis points and requires the fixed monthly payment of principal of \$10,000. The interest rate is to be lowered by 20 basis points upon stabilization of the property and certain debt service coverage ratios.

On November 22, 1999, the Company closed on a fixed-rate facility with a bank, which provides for the borrowing of up to \$10.0 million. The loan, which is secured by one of the Company's properties, matures in December 2002 and requires the monthly payment of interest at 7.75% and principal amortized over

25 years. As of December 31, 1999, the Company had borrowed \$5.0 million under this facility, with the remaining \$5.0 million available to be drawn in up to three tranches. The proceeds from this borrowing were used primarily to retire maturing debt with another lender of \$4.4 million, which was secured by another of the Company's properties.

On November 16, 1999, the Company assumed \$4.6 million in first mortgage debt in connection with the acquisition of all of the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. The bank loan, which matures March 2003, bears interest at 8.18% and requires the monthly payment of principal and interest amortized over 20 years.

During 1999, the Company closed on two variable-rate financings with an insurance company which are secured by two of the Company's properties. On September 21, 1999, the Company closed on a \$10.0 million loan which matures in October 2002 and on July 7, 1999, a \$14.0 million loan which matures in August 2002. Both loans require monthly payments of interest at a rate of LIBOR plus 205 basis points adjusted on a quarterly basis and principal amortized over 25 years. The Company has also purchased interest rate cap agreements for both loans, which cap LIBOR at 6.50%. Approximately \$8.6 million of the proceeds were used to retire existing debt with the same lender.

On May 5, 1999, the Company assumed \$6.2 million in mortgage debt in connection with the acquisition of the general partner's interest in Mall 189. The debt, which matures September 1, 2002, bears interest at a fixed-rate of 7.5% and requires the payment of interest only through May 4, 2001. Thereafter, and through the maturity date, the loan bears interest at a fixed-rate of 9.875% and requires total monthly payments of \$55,000 representing interest and principal. The debt can be prepaid commencing May 4, 2002, without any prepayment fees.

On March 23, 1999, the Company closed on a \$7.0 million facility with a bank that is secured by one of the Company's properties. As of December 31, 1999, the Company had \$4.0 million outstanding under this facility which matures March 15, 2002, bears interest at LIBOR plus 175 basis and requires the payment of principal amortized over a 25 year period. The Company also obtained two irrevocable letters of credit totaling \$3.0 million. The first, in the amount of \$2.0 million, is related to the acquisition of the Mall 189 as required pursuant to the bankruptcy reorganization plan of the seller of the property. The letter of credit is expected to be reduced in \$500,000 increments as redevelopment of the property progresses. In addition, a letter of credit for \$1.0 million was obtained related to the settlement of certain litigation in 1998 with a former president of the Company, which is expected to be reduced in \$200,000 increments as certain obligations are met.

#### LIQUIDITY AND CAPITAL RESOURCES, continued

##### Financing and Debt, continued

On February 24, 1999, the Company assumed \$7.7 million in mortgage debt in connection with the acquisition of the Mad River Station shopping center. The debt, which matures May 23, 2005, bears interest at a fixed-rate of 9.6% and requires the payment of principal amortized over 25 years. The debt can be prepaid commencing May 23, 2000 with certain prepayment fees and after May 23, 2002 without any such fees.

##### Property Acquisitions, Development and Expansion

The Company's acquisition program focuses on acquiring sub-performing neighborhood and community shopping centers that are well-located and creating significant value through retenanting and property redevelopment.

On November 16, 1999, the Company acquired 100% of the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center, a 96,000 square foot community shopping center located in Rockland County, New York. The aggregate purchase price of \$7.4 million consisted of the assumption of \$4.6 million in first mortgage debt and the issuance of \$2.2 million in preferred Operating Partnership units with the balance funded from working capital.

On May 5, 1999, the Company acquired the sole general partner's interest in the limited partnership owning the Gateway Mall (formerly the Mall 189), a 122,000 square foot shopping center located in Burlington, Vermont, for \$6.5 million. The interest, which is senior to the interests of the limited partners, was acquired out of bankruptcy by restructuring and assuming the mortgage debt of \$6.2 million. The balance of the purchase was funded from working capital. The Gateway Mall is in its early stages of redevelopment with anticipated completion in 2001. The property is a partially enclosed mall that will be reconfigured into a conventional strip center format.

On February 24, 1999, the Company acquired the Mad River Station, a 154,000 square foot shopping center located in Dayton, Ohio for \$11.5 million. The Company assumed \$7.7 million in mortgage debt and funded the remaining purchase from working capital.

The Company completed the redevelopment of a 39,700 square foot building located in Greenwich, Connecticut, which consists of 17,000 square feet of retail space and 21 apartments (approximately 15,000 square feet). During June 1999, Restoration Hardware, the lead anchor for the center occupying 12,300 square feet of the retail space, commenced paying rent. The remaining retail space has been leased as well with occupancy anticipated during the second quarter of 2000. All twenty-one residential units are leased as of December 31, 1999. Costs incurred on this project totalled \$17.5 million.

The Company has received municipal approval to renovate and expand by approximately 30,000 square feet the 125,000 square foot Elmwood Park Shopping Center. As part of the redevelopment, the Company is planning to construct a 48,000 square foot free-standing A&P supermarket, to replace a 28,000 square foot in-line Grand Union supermarket at a significantly higher rent per square foot. The Company expects redevelopment costs of approximately \$9.1 million to complete this project in 2002. In conjunction with the A&P supermarket rent commencement, the Operating Partnership is also obligated to issue OP Units equal to \$2.75 million as discussed in Note 2 to the Consolidated Financial Statements. Additionally, the Company currently estimates that for the remaining portfolio, capital outlays of approximately \$3.5 million will be required for tenant improvements, related renovations and other property improvements related to executed leases.

#### Share Repurchase Plan

Through March 13, 2000, the Company had repurchased 815,600 shares at a total cost of \$4.2 million under a Share repurchase program. The program, which allows for the repurchase of up to \$10.0 million of the Company's outstanding Common Shares on the open market, may be discontinued or extended at any time and there is no assurance that the Company will purchase the full amount authorized.

#### LIQUIDITY AND CAPITAL RESOURCES, continued

##### Liquidity Sources

Sources of capital for funding property development, property expansion and renovation, repurchase of common stock and future property acquisitions are expected to be obtained from cash on hand, additional debt financings, sales of existing properties and additional equity offerings. The Company also has nine properties that are currently unencumbered and therefore available as potential collateral for future borrowings. The Company anticipates that cash flow from operating activities will continue to provide adequate capital for all debt service payments, recurring capital expenditures and REIT distribution requirements.

##### HISTORICAL CASH FLOW

The following discussion of historical cash flow compares the Company's cash flow for the year ended December 31, 1999 ("1999") with the Company's cash flow for the year ended December 31, 1998 ("1998").

Net cash provided by operating activities increased from \$7.5 million for 1998 to \$25.9 million for 1999. This variance was primarily attributable to an increase in operating income before non-cash expenses in 1999 partially offset by changes in operating assets and liabilities.

Investing activities used \$19.9 million during 1999, representing a \$4.9 million decrease from \$24.8 million of cash used during 1998. This variance was the result of an increase in net sales proceeds of \$3.9 million received in 1999 versus 1998 and an increase of \$1.5 million related to an investment in an unconsolidated subsidiary partnership in 1999, offset by a \$500,000 increase in expenditures for real estate acquisitions, development and tenant installation in 1999.

Net cash provided by financing activities of \$14.2 million for 1999 decreased \$17.1 million compared to \$31.3 million provided in 1998. The decrease resulted primarily from \$95.9 million of net proceeds from the issuance of Common Shares in 1998, dividends and distributions of \$13.3 million being paid in 1999 and \$2.0 of additional cash used in 1999 for the repurchase of common shares. This was partially offset by additional cash of \$65.9 million used in 1998 for the repayment of debt and a \$28.3 million increase in cash provided by additional borrowings.

## INFLATION

The Company's long-term leases contain provisions designed to mitigate the adverse impact of inflation on the Company's net income. Such provisions include clauses enabling the Company 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 the Company's leases are for terms of less than ten years, which permits the Company to seek to increase rents upon re-rental at market rates if rents are below the then existing market rates. Most of the Company's leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). In June 1999, the FASB issued Statement No. 137, which deferred the effective date of Statement No. 133 requiring it to be adopted for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company expects to adopt the Statement effective January 1, 2001. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

## IMPACT OF YEAR 2000

The year 2000 ("Y2K") problem refers to computer applications using only the last two digits to refer to a year rather than all four digits. As a result, these applications could fail or create erroneous results if they recognize "00" as the year 1900 rather than year 2000. In prior years, the Company discussed the nature and progress of its plans to become Y2K ready. In late 1999, the Company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Y2K date change. The Company expended approximately \$200,000 during 1999 in connection with remediating its systems. The Company is not aware of any material problems resulting from Y2K issues, either with its products, its internal systems, or the products and services of third parties. The Company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Y2K matters that may arise are addressed promptly.

## ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is to changes in interest rates related to the Company's mortgage debt. See the consolidated financial statements and notes thereto included in this Annual Report for certain quantitative details related to the Company's mortgage debt.

Currently, the Company manages its exposure to fluctuations in interest rates primarily through the use of fixed-rate debt. As of December 31, 1999, the Company had total mortgage debt of \$326.7 million of which \$254.1 million, or 78%, is fixed-rate and \$72.6 million, or 22%, is variable-rate based upon either LIBOR or the lender's commercial paper rate, plus certain spreads. \$24.0 million of notional variable-rate principal is hedged through the use of LIBOR rate caps as of December 31, 1999. The Company may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, the Company 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.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in items 14(a)(1) and 14(a)(2) hereof are incorporated herein by reference.

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

None

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on May 16, 2000, to be filed pursuant to Regulation 14A.

ITEM 11 EXECUTIVE COMPENSATION

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on May 16, 2000, 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 Annual Meeting of Shareholders presently scheduled to be held on May 16, 2000, to be filed pursuant to Regulation 14A.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This item is incorporated by reference from the definitive proxy statement for the Annual Meeting of Shareholders presently scheduled to be held on May 16, 2000, to be filed pursuant to Regulation 14A.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

- (a) 1. Financial Statements - Form 10-K  
The following consolidated financial information is included as a separate section of this annual report on Form 10-K Report Page

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2. Financial Statement Schedule  
Schedule III - Real Estate and Accumulated Depreciation F-28

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

3. Exhibits

Exhibit No.

3.1(a)	Declaration of Trust of the Company, as amended	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, 1994
3.1(b)	Fourth Amendment to Declaration of Trust	Incorporated by reference to the copy thereof filed as an Exhibit to Company's Form 10-Q filed for the quarter ended September 30, 1998
3.2	By-Laws of the Company	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form S-11 (File No.33-60008) ("Form S-11")
10.1(a)	Agreement of Limited Partnership of the Operating Partnership	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 3 to the Company's Form S-11
10.1(b)	First, Second and Third Amendments the Agreement of Limited Partnership of the Operating Partnership	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, 1998
10.1(c)	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership	Filed herewith
10.2	Loan Agreement between the Company and Metropolitan Life Insurance Company	Incorporated by reference to the copy thereof filed as exhibit to Amendment No. 3 to the Company's Form S-11
*10.6(a)	1999 Share Option Plan	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form S-8 filed September 28, 1999
10.14	Form of Registration Rights Agreement	Incorporated by reference to the copy thereof filed as an exhibit to Amendment No. 4 to the Company's Form S-11
10.18	Form of Loan Agreement together with Form of First Mortgage and Security Agreement between the Company and John Hancock Mutual Life Insurance Company dated March 15, 1995	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, 1995
10.22(a)	Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rents and Security Deposits between the Company and Morgan Stanley Mortgage Capital, Inc.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1996



10.22 (b)	Mortgage Note between the Company and Morgan Stanley Mortgage Capital, Inc.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 1996
10.22 (c)	First Amendment to the Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Lease, Rents and Security Deposits Between the Company and GMAC Commercial Mortgage Corporation	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1998
10.24 (a)	Open-End Mortgage, Security Agreement, Future Filing, Financing Statement and Assignment of Leases and Rents between the Company and Anchor National Life Insurance Company	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, 1996
10.24 (b)	Promissory Note between the Company and Anchor National Life Insurance Company	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, 1996
10.26 (a)	Loan Agreement dated March 4, 1997 by and between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital Corporation	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, 1996
10.26 (b)	Promissory Note dated March 4, 1997 between Mark Northwood Associates, Limited Partnership, a Florida limited partnership, and Nomura Asset Capital Corporation	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, 1996
10.26 (c)	Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Filing by Mark Northwood Associates, Limited Partnership, a Florida limited partnership, to Nomura Asset Capital Corporation dated March 4, 1997	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, 1996
10.30	Contribution and Share Purchase Agreement with RD Capital, Inc.	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on April 20, 1998

10.31	Severance and Consulting Agreement For Marvin L. Slomowitz	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, 1998
10.32	Settlement agreement between the Company and Jack Wertheimer	Incorporated by reference to the copy thereof filed as an exhibit to the Company's Form 8-K filed on January 5, 1999
10.33	Employment agreement between the Company and Ross Dworman	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, 1998
10.34	Employment agreement between the Company and Kenneth F. Bernstein	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, 1998
10.36	Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000	Filed herewith
10.37	Mortgage Note between RD Branch Associates, L.P. and North Fork Bank dated November 22, 1999	Filed herewith
10.38	Promissory Note between 239 Greenwich Associates, L.P. and First Union National Bank dated December 16, 1999	Filed herewith
10.39	Note and Mortgage Assumption Agreement between Acadia Mad River Property LLC and Lasalle National Bank for the benefit of Certificateholders of American Southwest Financial Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1195-C1 Dated February 24, 1999	Filed herewith
10.40	Mortgage Note Modification Agreement Between Heathcote Associates and Huntoon Hastings Capital Corp. dated May 5, 1999	Filed herewith
10.41	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999	Filed herewith
10.42	Mortgage and Note Modification Agreement between Pacesetter/Ramapo Associates and M&T Real Estate, Inc.	Filed herewith
10.43	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 23, 1999	Filed herewith
10.44	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999	Filed herewith
21	List of Subsidiaries of Acadia Realty Trust	Filed herewith

23	Consent of Independent Auditors to Form S-3 and Form S-8	Filed herewith
27	Financial Data Schedule (EDGAR filing only)	Filed herewith
*	Constitutes a compensatory plan or arrangement required to be filed as an exhibit to this Form.	
(b)	Reports on Form 8-K filed during the quarter ended December 31, 1999 - The Company did not file any report on Form 8-K during the quarter ended December 31, 1999.	

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/ Ross Dworman  
-----  
Chairman and  
Chief Executive Officer

Dated: March 27, 2000

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.

Signature -----	Title -----	Date -----
/s/Ross Dworman ----- (Ross Dworman)	Chairman, Chief Executive Officer and Trustee (Principal Executive Officer)	March 27, 2000
/s/Kenneth F. Bernstein ----- (Kenneth F. Bernstein)	President and Trustee	March 27, 2000
/s/Perry S. Kamerman ----- (Perry S. Kamerman)	Senior Vice President of Finance (Principal Financial and Accounting Officer)	March 27, 2000
/s/Martin L. Edelman ----- (Martin L. Edelman, Esq.)	Trustee	March 27, 2000
/s/Gregory A. White ----- (Gregory A. white)	Trustee	March 27, 2000
/s/Marvin J. Levine ----- (Marvin J. Levine, Esq)	Trustee	March 27, 2000
/s/Lawrence J. Longua ----- (Lawrence J. Longua)	Trustee	March 27, 2000

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:

Exhibit Number	Description	Page
-----	-----	----
10.1(c)	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership	34
10.36	Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000	44
10.37	Mortgage Note between RD Branch Associates, L.P. and North Fork Bank dated November 22, 1999	66
10.38	Promissory Note between 239 Greenwich Associates, L.P. and First Union National Bank dated December 16, 1999	
10.39	Note and Mortgage Assumption Agreement between Acadia Mad River Property LLC and Lasalle National Bank for the benefit of Certificateholders of American Southwest Financial Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1195-C1 Dated February 24, 1999	84
10.40	Mortgage Note Modification Agreement Between Heathcote Associates and Huntoon Hastings Capital Corp. dated May 5, 1999	100
10.41	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999	107
10.42	Mortgage and Note Modification Agreement between Pacesetter/Ramapo Associates and M&T Real Estate, Inc.	120
10.43	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 23, 1999	130
10.44	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999	149
21	List of Subsidiaries of Acadia Realty Trust	
23	Consent of Independent Auditors to Form S-3 and Form S-8	
27	Financial Data Schedule (EDGAR filing only)	

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Trustees of  
Acadia Realty Trust

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust (a Maryland Trust) and subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and the 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 audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Realty Trust and subsidiaries as of December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ ERNST & YOUNG LLP

New York, New York  
February 25, 2000

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Part I. Financial Information  
Item 1. Financial Statements

ACADIA REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except per share amounts)

	December 31,	
	1999	1998
	----	----
ASSETS		
Real estate		
Land	\$ 81,956	\$ 76,136
Buildings and improvements	477,573	452,300
Properties under development	9,992	22,813
	-----	-----
	569,521	551,249
Less: accumulated depreciation	90,932	87,202
	-----	-----
Net real estate	478,589	464,047
Property held for sale	13,227	7,073
Cash and cash equivalents	35,340	15,183
Cash in escrow	9,707	12,650
Investments in unconsolidated partnerships	7,463	7,516
Rents receivable, net	8,865	6,006
Prepaid expenses	2,952	2,797
Due from related parties	19	--
Deferred charges, net	12,374	11,461
Other assets	2,267	1,779
	-----	-----
	\$570,803	\$528,512
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$326,651	\$277,561
Accounts payable and accrued expenses	6,385	10,673
Due to related parties	--	176
Dividends and distributions payable	4,371	--
Other liabilities	4,224	3,817
	-----	-----
Total liabilities	341,631	292,227
	-----	-----
Minority interest in Operating Partnership	74,462	79,344
Minority interests in majority owned partnerships	2,223	2,350
	-----	-----
Total minority interests	76,685	81,694
	-----	-----
Shareholders' equity:		
Common shares, \$.001 par value, authorized 100,000,000 shares, issued and outstanding 25,724,315 and 25,419,215 shares, respectively	26	25
Additional paid-in capital	168,641	170,746
Deficit	(16,180)	(16,180)
	-----	-----
Total shareholders' equity	152,487	154,591
	-----	-----
	\$570,803	\$528,512
	=====	=====

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share amounts)

	Year ended December 31,		
	1999	1998	1997
	----	----	----
Revenues			
Minimum rent	\$73,021	\$ 46,940	\$ 33,669
Percentage rents	2,994	2,651	3,183
Expense reimbursements	13,786	8,655	6,632
Other	2,908	1,525	1,014
	-----	-----	-----
Total revenues	92,709	59,771	44,498
	-----	-----	-----
Operating Expenses			

Property operating	21,606	14,182	9,013
Real estate taxes	10,540	7,536	5,691
Depreciation and amortization	19,887	15,795	13,768
General and administrative	6,337	4,409	2,351
Non-recurring charges	--	2,249	--
Settlement of litigation	--	2,358	--
	-----	-----	-----
Total operating expenses	58,370	46,529	30,823
	-----	-----	-----
Operating income	34,339	13,242	13,675
Equity in earnings of unconsolidated partnerships	584	256	--
Loss on sale of property	(1,284)	(175)	(12)
Adjustment of carrying value of property held for sale	--	(11,560)	--
Interest expense	(23,314)	(18,302)	(15,444)
	-----	-----	-----
Income (loss) before extraordinary item and minority interest	10,325	(16,539)	(1,781)
Extraordinary item - loss on early extinguishment of debt	--	(707)	--
Minority interest in Operating Partnership	(3,130)	3,348	217
	-----	-----	-----
Net income (loss)	\$ 7,195	\$ (13,898)	\$ (1,564)
	=====	=====	=====
Net income (loss) per Common Share:			
Income (loss) before extraordinary item	\$ .28	\$ (.86)	\$ (.18)
Extraordinary item	--	(.05)	--
	-----	-----	-----
Net income (loss) per Common Share	\$ .28	\$ (.91)	\$ (.18)
	=====	=====	=====

See accompanying notes  
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ACADIA REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(In thousands, except per share amounts)

	Common Shares		Additional Paid-in Capital	Retained Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, December 31, 1996	8,548,817	\$ 9	\$ 57,521	\$ (724)	\$ 56,806
Issuance of shares pursuant to the Company's restricted share plan	5,360	-	52	-	52
Adjustment to minority interest	-	-	-	6	6
Distributions paid to limited partners of the Operating Partnership	-	-	(1,285)	-	(1,285)
Dividends paid in excess of accumulated earnings (\$0.76 per share)	-	-	(6,500)	-	(6,500)
Loss before minority interest	-	-	-	(1,781)	(1,781)
Minority interest's equity	-	-	1,285	217	1,502
	-----	-----	-----	-----	-----
Balance, December 31, 1997	8,554,177	9	51,073	(2,282)	48,800
Issuance of shares pursuant to the Company's restricted share plan	3,800	-	29	-	29
Conversion of 800,000 OP Units by limited partner of the Operating Partnership	800,000	1	4,367	-	4,368
Issuance of 13,333,333 Common Shares in connection with the RDC Transaction, net of issuance costs	13,333,333	13	95,909	-	95,922
Issuance of 1,989,048 Common Shares in connection with the RDC Transaction	1,989,048	1	13,965	-	13,966
Conversion of 738,857 OP Units by limited partners of the Operating Partnership in connection with the RDC Transaction	738,857	1	5,403	-	5,404
Loss before minority interest	-	-	-	(17,246)	(17,246)

Minority interest's equity	-	-	-	3,348	3,348
Balance, December 31, 1998	25,419,215	25	170,746	(16,180)	154,591
Conversion of 700,000 OP Units by limited partner of the Operating Partnership	700,000	1	5,012	-	5,013
Dividends declared (\$.48 per Common Share)	-	-	(5,133)	(7,195)	(12,328)
Repurchase of Common Shares	(394,900)	-	(1,984)	-	(1,984)
Income before minority interest	-	-	-	10,325	10,325
Minority interest's equity	-	-	-	(3,130)	(3,130)
Balance, December 31, 1999	25,724,315	\$ 26	\$168,641	\$(16,180)	\$152,487

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ACADIA REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands, except per share amounts)

	Year ended December 31,		
	1999	1998	1997
	----	----	----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 7,195	\$(13,898)	\$ (1,564)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	19,887	15,795	13,768
Extraordinary item - loss on early extinguishment of debt	--	707	--
Minority interest in Operating Partnership	3,130	(3,348)	(217)
Equity in income of unconsolidated partnerships	(584)	(256)	--
Provision for bad debts	1,404	1,275	833
Loss on sale of property	1,284	175	12
Adjustment to carrying value of property held for sale	--	11,560	--
Other	--	29	52
Changes in assets and liabilities:			
Funding of escrows, net	2,943	(4,744)	(4,303)
Rents receivable	(4,263)	(2,495)	(679)
Prepaid expenses	(155)	(1,556)	180
Due to/from related parties	(195)	163	26
Other assets	(879)	(975)	(290)
Accounts payable and accrued expenses	(4,288)	3,120	1,233
Other liabilities	407	1,907	(117)
Net cash provided by operating activities	25,886	7,459	8,934
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditures for real estate and improvements	(25,091)	(23,253)	(10,558)
Net proceeds from sale of property	6,128	2,193	1,288
Investments in unconsolidated partnerships	--	(861)	--
Distributions from unconsolidated partnerships	637	--	--
Payment of deferred leasing costs	(1,604)	(2,901)	(1,205)
Net cash used in investing activities	(19,930)	(24,822)	(10,475)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from issuance of Common Shares	--	95,923	--
Principal payments on mortgages	(17,598)	(80,493)	(14,835)
Proceeds received on mortgage notes	48,168	19,877	25,955
Payment of note payable to shareholder	--	(3,050)	--
Payment of deferred financing and other costs	(1,091)	(967)	(757)
Dividends paid	(9,239)	--	(9,577)
Distributions to minority interests in Operating Partnership	(3,929)	(31)	(1,870)
Distributions to minority interest in majority owned partnerships	(127)	--	--
Repurchase of Common Shares	(1,983)	--	--
Net cash provided by (used in) financing activities	14,201	31,259	(1,084)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,157	13,896	(2,625)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,183	1,287	3,912
CASH AND CASH EQUIVALENTS, END OF YEAR	\$35,340	\$ 15,183	\$ 1,287

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS



(In thousands, except per share amounts)

	Year ended December 31,		
	1999	1998	1997
	----	----	----
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for interest, net of amounts capitalized of \$1,299, \$857, and \$569, respectively	\$23,793 =====	\$ 17,650 =====	\$ 15,502 =====
Supplemental Disclosures of Non-Cash			
Investing and Financing Activities:			
Acquisition of real estate by assumption of debt	\$18,521 =====		
Acquisition of real estate by issuance of Preferred Operating Partnership Units	\$ 2,212 =====		
The following activity was recorded in connection with the RDC Transaction (Note 2).			
Real estate and investment in partnerships acquired		\$(253,801)	
Mortgage notes payable assumed		154,234	
Operating partnership units issued		83,250	
Common Shares issued		13,967	
Minority interests in acquired properties		2,350	
		-----	
Net Cash		\$ --	
		=====	

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

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

Acadia Realty Trust (the "Company"), formerly known as Mark Centers Trust, is a fully integrated and self-managed real estate investment trust ("REIT") focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers, and multi-family properties.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership"), formerly known as Mark Centers Limited Partnership, and its majority owned subsidiaries. As of December 31, 1999, the Company controlled 71% of the Operating Partnership as the sole general partner.

As of December 31, 1999, the Company operated fifty-eight properties, which it owned or had an ownership interest in, consisting of forty-seven neighborhood and community shopping centers, three enclosed malls, two mixed use properties (a retail/office center and a retail/residential property), five multi-family properties and one redevelopment property located in the Eastern and Midwestern regions of the United States. The retail/office mixed use property was held for sale as of December 31, 1999.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its majority owned subsidiaries, including the Operating Partnership. Non-controlling investments in partnerships are accounted for under the equity method of accounting as the Company exercises significant influence.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and

assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Properties

Real estate assets are stated at cost less accumulated depreciation. Such carrying amounts are adjusted, if necessary, to reflect any impairment in the value of the assets. 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. Depreciation is computed on the straight-line method over estimated useful lives of thirty to forty 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. Property held for sale is reflected at the lower of the carrying amount or net realizable value.

#### Deferred Costs

Fees and costs incurred 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.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

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

#### Revenue Recognition

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, 1999 and 1998, unbilled rents receivable relating to straight-lining of rents were \$3,057 and \$2,163, respectively.

Percentage rents are recognized in the period when the specified target, or in the case of percentage rent, the tenant sales breakpoint, is met.

Reimbursements from tenants for real estate taxes, insurance and other property operating expenses are recognized as revenue in the period the expenses are incurred.

An allowance for doubtful accounts has been provided against certain tenant accounts receivable which are estimated to be uncollectible. Rents receivable at December 31, 1999 and 1998 are shown net of an allowance for doubtful accounts of \$1,588 and \$1,854, respectively.

#### 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 and cash equivalents.

#### Cash in Escrow

Cash in escrow consists principally of cash held for real estate taxes, property maintenance, insurance, lease renewals, environmental remediation, and minimum occupancy and property operating income requirements at specific properties as required by certain loan agreements. The balance as of December 31, 1998 also included amounts funded for certain legal settlement amounts (note 17).

#### Non-Recurring Charges

In connection with the RDC Transaction (note 2), the Company incurred non-recurring costs of \$2,249 related primarily to payments made to certain officers and key employees pursuant to change in control provisions of employment contracts, severance paid to the Former Principal Shareholder (note 8), retention bonuses for certain employees and transaction-related consulting and professional fees.

#### Income Taxes

The Company has made an election to be taxed, and believes it qualifies as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income to the extent that it distributes at least 95% of its taxable income to its shareholders and complies with certain other requirements.

Accordingly, no provision has been made for federal income taxes for the Company in the accompanying consolidated financial statements. The Company is subject to state income or franchise taxes in certain states in which some of its properties are located. These state taxes, which in total are not significant, are included in general and administrative expenses in the accompanying consolidated financial statements.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

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

Earnings Per Common Share

For the years ended December 31, 1999, 1998 and 1997, basic earnings per share was determined by dividing the net applicable income or loss to common shareholders for the year by the weighted average number of common shares of beneficial interest ("Common Shares") outstanding during each year consistent with the Financial Accounting Standards Board Statement No. 128. The weighted average number of shares outstanding for the years ended December 31, 1999, 1998 and 1997 were 25,708,787, 15,205,962 and 8,551,930, respectively.

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. For the years ended December 31, 1999, 1998 and 1997 no additional shares were reflected as the impact would be anti-dilutive in such years.

Share Repurchase Plan

As of December 31, 1999, the Company had repurchased 394,900 Common Shares at a total cost of \$1,984 under a share repurchase plan which allows for the repurchase of up to \$10,000 of the Company's outstanding Common Shares. The repurchased shares are reflected as a reduction of par value and additional paid-in capital.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). In June 1999, the FASB issued Statement No. 137, which deferred the effective date of Statement No. 133 requiring it to be adopted for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company expects to adopt the Statement effective January 1, 2001. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

Reclassifications

Certain 1998 and 1997 amounts were reclassified to conform with the 1999 presentation.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

## 2. Acquisition and Disposition of Properties and Related Transactions

### 1999 Acquisitions and Dispositions

On November 16, 1999, the Company acquired 100% of the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center, a 96,000 square foot community shopping center located in Rockland County, New York. The aggregate purchase price of \$7,400 consisted of the assumption of \$4,637 in first mortgage debt and the issuance of \$2,212 in preferred Operating Partnership units with the balance funded from working capital.

On May 5, 1999, the Company acquired the sole general partner's interest in the limited partnership owning the Gateway Mall (formerly the Mall 189), a 122,000 square foot shopping center located in Burlington, Vermont, for \$6,547. The interest was acquired out of bankruptcy by restructuring and assuming the mortgage debt of \$6,222. The balance of the purchase was funded from working capital. The center, which is a partially enclosed mall, is being redeveloped into a conventional strip center format.

On February 24, 1999, the Company acquired the Mad River Station, a 154,000 square foot shopping center located in Dayton, Ohio for \$11,500. The Company assumed \$7,661 in mortgage debt and funded the remaining purchase from working capital.

Pursuant to its continuing plan to dispose of certain under-performing properties, the Company sold two properties during 1999, the Searstown Mall on February 1, 1999 for a sale price of \$3,300 and the Auburn Plaza on March 29, 1999 for \$3,500.

### 1998 Acquisitions and Dispositions

On August 12, 1998 the Company completed the transactions contemplated by the Contribution and Share Purchase Agreement dated April 15, 1998 (the "RDC Transaction") involving affiliates of RD Capital, Inc. ("RDC"). In connection with the RDC Transaction, the Operating Partnership acquired (i) fee title to or all, or substantially all, of the ownership interests in twelve shopping centers, five multi-family properties and one redevelopment property, (ii) a 49% interest in one shopping center, (iii) certain third party management contracts, and (iv) certain promissory notes from real estate investment partnerships and related entities, which are not under common control, in which RDC serves as general partner or in another similar management capacity, for approximately 11.1 million Operating Partnership units ("OP Units") and approximately 2.0 million Common Shares valued at \$97,217. In addition, the Company assumed mortgage debt aggregating \$154,234 and incurred other capitalized transaction costs of \$5,757 resulting in an aggregate purchase price of \$257,208. As part of the RDC Transaction, the Company also issued approximately 13.3 million Common Shares to three real estate investment limited partnerships (collectively "RDC Funds"), in which affiliates of RDC serve as general partner, in exchange for \$100,000.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

## 2. Acquisition and Disposition of Properties and Related Transactions, continued

### 1998 Acquisitions and Dispositions, continued

The Company accounted for the RDC Transaction as (i) a purchase of properties and other related assets in exchange for OP Units and Common Shares and the assumption of certain mortgage debt and other liabilities using the purchase method of accounting and (ii) an issuance of Common Shares for cash. Accordingly, the accompanying 1998 consolidated financial statements include the operations of the properties acquired in the RDC Transaction from August 12, 1998 through December 31, 1998 (note 20).

The Operating Partnership is also obligated to issue additional OP Units valued at \$2,750 upon the completion of certain improvements and the commencement of

rental payments from a designated tenant at one of the properties acquired in the RDC Transaction.

Following the completion of the RDC Transaction, the Company changed its name from Mark Centers Trust to Acadia Realty Trust and the name of the Operating Partnership was changed from Mark Centers Limited Partnership to Acadia Realty Limited Partnership. Management also adopted a plan to dispose of three under-performing properties following the RDC Transaction. As a result, the Company recorded a non-cash charge of \$11,560 to write-down these properties to their estimated net realizable value as the anticipated sales proceeds (net of selling costs) were expected to be insufficient to recover the associated carrying values. On December 30, 1998, the Company completed the sale of the Normandale Mall for \$2,350. The remaining two properties (the Searstown Mall and Auburn Plaza) were sold in 1999.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

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. All the multi-family units were acquired in 1998 as part of the RDC Transaction. The following table sets forth certain segment information for the Company as of and for the years ended December 31, 1999, 1998 and 1997 (does not include unconsolidated partnerships):

	1999			
	Retail	Multi-Family	All	Total
	Properties	Properties	Other	Total
	-----	-----	-----	-----
Revenues	\$ 75,823	\$ 14,915	\$ 1,971	\$ 92,709
Property operating expenses and real estate taxes	26,190	5,956	--	32,146
Net property income before depreciation, amortization and certain nonrecurring items	49,633	8,959	1,971	60,563
Depreciation and amortization	17,817	1,829	241	19,887
Interest expense	19,199	4,115	--	23,314
Real estate at cost	487,376	82,145	--	569,521
Total assets	477,977	85,363	7,463	570,803
Gross leasable area (multi-family - 2,273 units)	8,817	2,039	--	10,856
Expenditures for real estate and improvements	23,912	1,179	--	25,091
Revenues				
Total revenues for reportable segments	\$ 93,766			
Elimination of intersegment management fee income	(1,057)			
	-----			
Total consolidated revenues	\$ 92,709			
	=====			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 33,203			
Elimination of intersegment management fee expense	(1,057)			
	-----			
Total consolidated expense	\$ 32,146			
	=====			
Reconciliation to income before extraordinary item and minority interest				
Net property income before depreciation, amortization and certain nonrecurring items	\$ 60,563			
Depreciation and amortization	(19,887)			
General and administrative	(6,337)			

Equity in earnings of unconsolidated partnerships	584
Loss on sale of property	(1,284)
Interest expense	(23,314)
	-----
Income before minority interest	\$ 10,325
	=====

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

3. Segment Reporting, continued

	1998			
	Retail Properties	Multi-Family Properties	All Other	Total
	-----	-----	-----	-----
Revenues	\$ 53,507	\$ 5,644	\$ 620	\$ 59,771
Property operating expenses and real estate taxes	19,573	2,145	--	21,718
Net property income before depreciation, amortization and certain nonrecurring items	33,934	3,499	620	38,053
Depreciation and amortization	14,963	629	203	15,795
Interest expense	16,685	1,606	11	18,302
Real estate at cost	470,438	80,811	--	551,249
Total assets	439,280	81,716	7,516	528,512
Gross leasable area (multi-family - 2,273 units)	8,931	2,039	--	10,970
Expenditures for real estate and improvements	22,844	409	--	23,253
Revenues				
Total revenues for reportable segments	\$ 60,204			
Elimination of intersegment ground rent and management fee income	(433)			
	-----			
Total consolidated revenues	\$ 59,771			
	=====			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 22,151			
Elimination of intersegment ground rent and management fee expense	(433)			
	-----			
Total consolidated expense	\$ 21,718			
	=====			
Reconciliation to loss before extraordinary item and minority interest				
Net property income before depreciation, amortization and certain nonrecurring items	\$ 38,053			
Depreciation and amortization	(15,795)			
General and administrative	(4,409)			
Non-recurring charges	(2,249)			
Settlement of litigation	(2,358)			
Equity in earnings of unconsolidated partnerships	256			
Loss on sale of property	(175)			
Adjustment of carrying value of property held for sale	(11,560)			
Interest expense	(18,302)			
	-----			
Loss before extraordinary item and minority interest	\$ (16,539)			
	=====			

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

3. Segment Reporting, continued

	1997			
	Retail Properties	Multi-Family Properties	All Other	Total
	-----	-----	-----	-----
Revenues	\$ 44,238	\$ --	\$ 260	\$ 44,498
Property operating expenses and real estate taxes	14,704	--	--	14,704
Net property income before depreciation, amortization and certain nonrecurring items	29,534	--	260	29,794
Depreciation and amortization	13,560	--	208	13,768
Interest expense	15,435	--	9	15,444
Real estate at cost	311,688	--	--	311,688
Total assets	254,500	--	--	254,500
Gross leasable area (multi-family - 2,273 units)	7,265	--	--	7,265
Expenditures for real estate and improvements	10,558	--	--	10,558
 Revenues				
Total revenues for reportable segments	\$ 44,931			
Elimination of intersegment ground rent and management fee income	(433)			
	-----			
Total consolidated revenues	\$ 44,498			=====
 Property operating expenses and real estate taxes				
taxes for reportable segments	\$ 15,137			
Elimination of intersegment ground rent and management fee expense	(433)			
	-----			
Total consolidated expense	\$ 14,704			=====
 Reconciliation to loss before extraordinary item and minority interest				
Net property income before depreciation, amortization and certain nonrecurring items	\$ 29,794			
Depreciation and amortization	(13,768)			
General and administrative	(2,351)			
Loss on sale of property	(12)			
Interest expense	(15,444)			
	-----			
Loss before minority interest	\$ (1,781)			=====

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ACADIA REALTY TRUST AND SUBSIDIARIES  
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4. Investment in Partnerships

In connection with the RDC Transaction, the Company acquired a 49% interest in each of the Crossroads Joint Venture and Crossroads II Joint Venture (collectively the "Crossroads") which collectively own a 311,000 square foot shopping center in Greenburgh, New York. The Company accounts for its investment in Crossroads using the equity method. Summary financial information of the Crossroads and the Company's investment in and share of income from Crossroads follows:

	December 31, 1999 ----	December 31, 1998 ----
Balance Sheet		
Assets:		
Rental property, net	\$ 8,801	\$ 9,161
Other assets	5,204	4,308
	-----	-----
Total assets	\$14,005	\$13,469
	=====	=====
Liabilities and partners' equity		
Mortgage note payable	\$35,105	\$35,526
Other liabilities	777	502
Partners' equity	(21,877)	(22,559)
	-----	-----
Total liabilities and partners' equity	\$14,005	\$13,469
	=====	=====
Company's investment in partnerships	\$ 7,463	\$ 7,516
	=====	=====
Statement of Operations		
Total revenue	\$ 7,003	\$ 2,680
Operating and other expenses	1,910	643
Interest expense	2,568	1,022
Depreciation and amortization	534	192
	-----	-----
Net income	\$ 1,991	\$ 823
	=====	=====
Company's share of net income	\$ 976	\$ 403
Amortization of excess investment (See below)	392	147
	-----	-----
Income from Partnerships	\$ 584	\$ 256
	=====	=====

The unamortized excess of the Company's investment over its share of the net equity in Crossroads at the date of acquisition was \$19,580. The portion of this excess attributable to buildings and improvements is being amortized over the life of the related property.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
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5. Deferred Charges

Deferred charges consist of the following as of December 31, 1999 and 1998:

	1999 ----	1998 ----
Deferred financing costs	\$ 7,563	\$ 6,624
Deferred leasing and other costs	12,279	10,882
	-----	-----
Accumulated amortization	19,842 (7,468)	17,506 (6,045)
	-----	-----
	\$12,374	\$11,461
	=====	=====

6. Mortgage Loans

At December 31, 1999, mortgage notes payable aggregated \$326,651 and were collateralized by 49 properties and related tenant leases. Interest rates ranged from 7.50% to 9.60%. Mortgage payments are due in monthly installments of principal and/or interest and mature on various dates through 2022. Certain loans are cross-collateralized and cross-defaulted as part of a group of properties. 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 December 16, 1999, the Company closed on a \$13,750 bank loan. The variable-rate debt, which is secured one of the Company's properties, matures in January 2005, bears interest at LIBOR plus 165 basis points and requires the fixed monthly payment of principal of \$10. The interest rate is to be lowered by 20 basis points upon stabilization of the property and certain debt service coverage ratios.

On November 22, 1999, the Company closed on a fixed-rate facility with a bank, which provides for the borrowing of up to \$10,000. The loan, which is secured by one of the Company's properties, matures in December 2002 and requires the monthly payment of interest at 7.75% and principal amortized over 25 years. As of December 31, 1999, the Company had borrowed \$5,000 under this facility, with the remaining \$5,000 available to be drawn down in up to three tranches. The proceeds from this borrowing were used primarily to retire maturing debt with another lender of \$4,372, which was secured by another of the Company's properties.

On November 16, 1999, the Company assumed \$4,637 in first mortgage debt in connection with the acquisition of all of the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. The loan, which matures March 2003, bears interest at 8.18% and requires the monthly payment of principal and interest amortized over 20 years.

During 1999, the Company closed on two variable-rate financings with an insurance company, which are secured by two of the Company's properties. On September 21, 1999, the Company closed on a \$10,000 loan which matures in October 2002 and on July 7, 1999, a \$14,000 loan which matures in August 2002. Both loans require monthly payments of interest at a rate of LIBOR plus 205 basis points adjusted on a quarterly basis and principal amortized over 25 years. The Company has also purchased interest rate cap agreements for both loans, which cap LIBOR at 6.50%. The costs of the cap agreements have been capitalized and are being amortized as an adjustment to interest expense over the terms of the loans. Approximately \$8,555 of the proceeds were used to retire existing debt with the same lender.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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6. Mortgage Loans, continued

On May 5, 1999, the Company assumed \$6,222 in mortgage debt in connection with the acquisition of the general partner's interest in Mall 189. The debt, which matures September 1, 2002, bears interest at a fixed-rate of 7.5% and requires the payment of interest only through May 4, 2001. Thereafter, and through the maturity date, the loan bears interest at a fixed-rate of 9.875% and requires total monthly payments of \$55 representing interest and principal. The debt can be prepaid commencing May 4, 2002, without any prepayment fees.

On March 23, 1999, the Company closed on a \$7,000 facility with a bank that is secured by one of the company's properties. As of December 31, 1999, the Company had \$4,000 outstanding under this facility which matures March 15, 2002, bears interest at LIBOR plus 175 basis and requires the payment of principal amortized over a 25 year period. The Company also obtained two irrevocable letters of credit totaling \$3,000. Related to the acquisition of the Mall 189 (note 2), a letter of credit for \$2,000 is required pursuant to the bankruptcy reorganization plan of the seller of the property. The letter of credit is expected to be reduced in \$500 increments as redevelopment of the property progresses. In addition, a letter of credit for \$1,000 was obtained related to the settlement of certain litigation in 1998 with the former President (note 17), which is expected to be reduced in \$200 increments as certain obligations are met.

On February 24, 1999, the Company assumed \$7,661 in mortgage debt in connection with the acquisition of the Mad River Station Shopping Center. The debt, which matures May 23, 2005, bears interest at a fixed-rate of 9.6% and requires the payment of principal amortized over 25 years. The debt can be prepaid commencing May 23, 2000 with certain prepayment fees and after May 23, 2002 without any such fees.

The following table summarizes the Company's mortgage indebtedness as of December 31, 1999 and 1998:

	December 31, 1999	December 31, 1998	Interest Rate
Mortgage notes payable - variable-rate			
General Electric Capital Corp.	\$ 7,126	\$ 6,989	8.52% (Commercial paper rate +2.75%)
Fleet Bank, N.A.	3,966	--	7.91% (LIBOR + 1.75%)
Fleet Bank, N.A.	9,326	8,268	7.94% (LIBOR + 1.78%)
Sun America Life Insurance Company	13,931	--	8.26% (LIBOR + 2.05%)
Sun America Life Insurance Company	9,979	--	8.13% (LIBOR + 2.05%)
KBC Bank	14,508	14,760	7.73% (LIBOR + 1.25%)
First Union National Bank	13,750	--	7.81% (LIBOR + 1.65%)
Total variable-rate debt	72,586	30,017	
Mortgage notes payable - fixed rate			
Sun America Life Insurance Company	--	8,717	--
The Manufacturers Life Insurance Company (USA)	--	4,372	--
John Hancock Mutual Life Insurance Company	53,878	54,445	9.11%
Metropolitan Life Insurance Company	41,000	41,000	7.75%
Sun America Life Insurance Company	42,143	43,832	7.75%
Huntoon Hastings Capital Corp.	6,222	--	7.50%
North Fork Bank	5,000	--	7.75%
M&T Real Estate Inc.	4,628	--	8.18%
Anchor National Life Insurance Company	3,866	3,950	7.93%
Lehman Brothers Holdings, Inc.	17,973	18,140	8.32%
Mellon Mortgage Company	7,566	--	9.60%
Northern Life Insurance Company	3,173	3,409	7.70%
Bankers Security Life	2,189	2,351	7.70%
Morgan Stanley Mortgage Capital	44,092	44,729	8.84%
Nomura Asset Capital Corporation	22,335	22,599	9.02%
Total fixed-rate debt	254,065	247,544	
	\$326,651	\$277,561	

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

6. Mortgage Loans, continued

	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable - variable-rate			
General Electric Capital Corp.	01/01/02	(1)	(20)
Fleet Bank, N.A.	03/15/02	(2)	(20)
Fleet Bank, N.A.	05/31/02	(3)	(20)
Sun America Life Insurance Company	08/01/02	(4)	(20)
Sun America Life Insurance Company	10/01/02	(5)	(20)
KBC Bank	12/31/02	(6)	(20)
First Union National Bank	01/01/05	(7)	(20)
Total variable-rate debt			
Mortgage notes payable - fixed rate			
Sun America Life Insurance Company	--	-	--
The Manufacturers Life Insurance Company (USA)	--	-	--
John Hancock Mutual Life Insurance Company	04/01/00	(8)	\$455 (20)
Metropolitan Life Insurance Company	06/01/00	(9)	(21)
Sun America Life Insurance Company	01/01/01	(10)	\$346 (20)
Huntoon Hastings Capital Corp.	09/01/02	(11)	(22)
North Fork Bank	12/01/02	(12)	\$38 (20)
M&T Real Estate Inc.	03/01/03	(13)	\$41 (20)
Anchor National Life Insurance Company	01/01/04	(14)	\$33 (20)
Lehman Brothers Holdings, Inc.	03/01/04	(15)	\$139 (20)
Mellon Mortgage Company	05/23/05	(16)	\$70 (20)
Northern Life Insurance Company	12/01/08	(17)	\$41 (20)
Bankers Security Life	12/01/08	(17)	\$28 (20)
Morgan Stanley Mortgage Capital	11/01/21	(18)	\$380 (20)
Nomura Asset Capital Corporation	03/11/22	(19)	\$193 (20)
Total fixed-rate debt			

Notes:

(1) Soundview Marketplace	(9) Valmont Plaza	(18) Midway Plaza
(2) Town Line Plaza	Luzerne Street Plaza	Northside Mall
(3) Smithtown Shopping Center	Green Ridge Plaza	New Smyrna Beach
	Crescent Plaza	Cloud Springs Plaza
	East End Centre	Troy Plaza
(4) Merrillville Plaza	(10) Bloomfield Town Square	Martintown Plaza
	Atrium Mall	Kings Fairgrounds
(5) Village Apartments	Walnut Hill Shopping Center	Shillington Plaza
	GHT Apartments	Dunmore Plaza
(6) Marley Run Apartments	Colony Apartments	Kingston Plaza
		Twenty Fifth Street Shopping Center
		Circle Plaza

(7) 239 Greenwich Avenue	(11) Gateway Mall	Mountainville Plaza
(8) New Loudon Centre	(12) The Branch Shopping Center	Birney Plaza
Ledgewood Mall	(13) Pacesetter Park Shopping	Monroe Plaza
Plaza 422	(14) Pittston Plaza	Ames Plaza
Berlin Shopping Center	(15) Glen Oaks Apartments	Plaza 15
Route 6 Mall	(16) Mad River Station Shopping	(19) Northwood Centre
Tioga West	Center	(20) Monthly principal and interest
Bradford Towne Centre	(17) Manahawkin Shopping Center	(21) Interest only monthly
		(22) Interest only until 5/01; principal and interest thereafter

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

6. Mortgage Loans, continued

The scheduled principal repayments of all mortgage indebtedness as of December 31, 1999 are as follows:

2000	\$ 98,726
2001	44,431
2002	70,592
2003	6,717
2004	22,892
Thereafter	83,293
	-----
	\$326,651
	=====

7. Minority Interests

Minority interest represents the limited partners' interest of 10,484,143 and 11,184,143 Common Operating Partnership ("Common OP") Units in the Operating Partnership at December 31, 1999 and 1998, respectively, and 2,212 units of Preferred Limited Partnership Interests designated as Series A Preferred Units ("Preferred OP Units") issued November 16, 1999 in connection with the acquisition of all the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center (note 2).

The Preferred OP Units, which have a stated value of \$1 each, are entitled to a quarterly preferred distribution of the greater of (i) \$22.50 (9% 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 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 Preferred OP Units at the lesser of \$7.50 or the market price of the Common Shares as of the conversion date. The Preferred OP Units are subject to a twelve-month lock-up period whereby they cannot be sold, assigned or otherwise transferred.

Minority interests at December 31, 1999 and 1998 also include an aggregate amount of \$2,223 and \$2,350, respectively, representing interests held by third parties in four of the properties acquired in the RDC Transaction in which the Company has a majority ownership position.

8. Related Party Transactions

During 1998, the Company entered into the following transactions with Mr. Slomowitz, a former trustee and former principal shareholder, in connection with the RDC Transaction: (i) repaid a \$3,030 note related to the Company's 1996 purchase of the Union Plaza, (ii) paid \$600 in severance pay, (iii) paid \$100 on the closing of the RDC Transaction and agreed to pay \$100 on each of the following two anniversary dates of the closing of the RDC Transaction for his agreement not to compete with the Company and for certain consulting services, (iv) granted ten year options to purchase 300,000 Common Shares at an exercise price of \$9.00 per Common Share, (v) cancelled formerly issued options to purchase 200,000 Common Shares at \$12.00 per Common Share and (vi) agreed to pay a brokerage commission of 2% of the sales price of nine designated properties currently comprising a portion of the Company's portfolio, provided such commissions would not exceed \$600 in the aggregate.

On December 30, 1999, the Company and Mr. Slomowitz terminated certain of the

obligations described above which were incurred in connection with the RDC Transaction. The principal terms included cancellation of the lease for the Company's prior headquarters in a building owned by Mr. Slomowitz. Rent expenses for this office space was \$119, \$112 and \$104 for the years ended December 31, 1999, 1998 and 1997, respectively. The Company paid Mr. Slomowitz the sum of \$329 in connection with the lease cancellation. Additionally, Mr. Slomowitz terminated his options to acquire 301,000 common shares and waived the final \$100 installment payment due August, 2000. The Company agreed to indemnify Mr. Slomowitz with respect to certain contingent liabilities. Mr. Slomowitz retains the right to continue to guarantee Company debt up to \$55,000.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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8. Related Party Transactions, continued

Mr. Slomowitz also removed all restrictions on the sale of any properties which he had originally contributed to the Company, waived his claims for present and future brokerage commissions and agreed to absorb up to \$1,250 of tax liabilities resulting in event of the sale thereof. Mr. Slomowitz also resigned from the Company's Board of Trustees effective December 8, 1999.

On July 16, 1999, and April 9, 1999, Mr. Slomowitz converted 600,000 and 100,000 Common OP Units, respectively, into Common Shares.

In connection with the RDC Transaction, the Company acquired certain property management contracts for three properties in which certain current shareholders of the Company or their affiliates have ownership interests. Management fees earned by the Company under these contracts are at rates ranging from 3% and 3.5% of collections. Such fees aggregated \$639 and \$225 for the years ended December 31, 1999 and 1998, respectively. Management fees earned under management contracts on properties owned by Mr. Slomowitz aggregated \$8 and \$19 for the years ended December 31, 1998 and 1997, respectively.

On June 1, 1998, the Company purchased for \$1,372 the building and other improvements constituting the Blackman Plaza from Blackman Plaza Partners in which Mr. Slomowitz is the sole general partner (owning a one percent economic interest). The Company was already the owner of the land. Payment for the building and other improvements was made with the proceeds from a financing with CS First Boston (this debt was subsequently retired following the RDC Transaction) and the application of ground rent in arrears totaling \$496 due the Company.

9. Tenant Leases

Space in the shopping centers and other retail properties is leased to various tenants under operating leases which 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, 1999 are summarized as follows:

2000	\$ 50,409
2001	46,942
2002	42,902
2003	39,725
2004	34,682
Thereafter	210,408
	-----
	\$425,068
	=====

Minimum future rentals above include a total of \$2,176 for two tenants (with five leases), which have filed for bankruptcy protection. None of these leases have been rejected nor affirmed.

During the years ended December 31, 1999 and 1998, no single tenant collectively accounted for more than 10% of the Company's total revenues. During the year ended December 31, 1997, rental income representing 10% or more of total revenues was earned from various governmental agencies of the State of Florida. Leases with these Florida agencies contain customary conditions, required under

Florida Law, permitting state agency tenants to cancel their leases upon six months' notice in the event that state-owned facilities in the same county become available. As such, minimum rents from these Florida agencies are not included in the above table of minimum future rentals. Rentals earned under these leases during the year ended December 31, 1997 were \$4,890. On December 15, 1999, the Company received a Notice of Exercise of Right to Terminate Lease from the Florida Department of Health for an aggregate 59,150 square feet representing \$827 of rents.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
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 (In thousands, except per share amounts)

10. Lease Obligations

The Company leases land at six of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. The leases terminate during the years 2016 to 2066. Four of these leases provide the Company with options to renew for additional terms aggregating from 20 to 44 years. The Company leases space for its New York City corporate office for a term expiring in 2002. Future minimum rental payments required for leases having remaining non-cancelable lease terms in excess of one year are as follows:

2000	\$	714
2001		714
2002		668
2003		642
2004		642
Thereafter		21,406
		-----
		\$24,786
		=====

11. 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 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 10 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. Pursuant to the 1999 Plan, non-employee Trustees receive an automatic grant of 1,000 options following each Annual Meeting of Shareholders. As of December 31, 1999, the Company has issued 2,066,600 options to officers and employees, which are for ten-year terms and vest in three equal annual installments beginning on the grant date. In addition, 5000 options have been issued to non-employee Trustees. 1,000 of these options were subsequently cancelled as further described in note 8.

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 in value to the excess of the option exercise price over the fair market value of the Common Shares at the exercise 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. As of December 31, 1999, the Company issued 2,000 Restricted Shares, which vest equally over three years, to an employee. No awards of Share Appreciation Rights or Performance Units/Shares were granted for the year ended December 31, 1999.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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11. Share Incentive Plan, continued

The Company accounts for stock-based compensation pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Under APB 25, no compensation expense has been recognized in the accompanying financial statements related to the issuance of stock options because the exercise price of the Company's employee stock options equaled or exceeded the market price of the underlying stock on the date of grant. The alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), has not been elected by the Company.

Accordingly, pro forma information regarding net income and earnings per share as required by SFAS 123 has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year ended December 31,		
	1999	1998	1997
	----	----	----
Risk-free interest rate	6.4%	5.2%	6.3%
Dividend Yield	9.5%	9.4%	9.0%
Expected Life	8.6 years	9.7 Years	4.0 Years
Expected volatility	32.4%	37.7%	13.7%

For purposes of pro forma disclosure, the estimated fair value of the options are amortized to expense over the options vesting period. For the year ended December 31, 1999, pro forma net income is \$6,573, or \$0.26 per Share. For the years ended December 31, 1998 and 1997, the Company has elected not to present proforma information because the impact on the reported net loss per Share is immaterial.

Changes in the number of shares under all option arrangements are summarized as follows:

	Year ended December 31,		
	1999	1998	1997
	----	----	----
Outstanding at beginning of period	300,000	329,500	217,000
Granted	2,071,600	305,000	152,500
Option price per share granted	\$4.89-\$7.50	\$8.88-\$9.00	\$10.13-\$11.19
Cancelled	300,000	334,500	40,000
Exercisable at end of period	1,368,733	300,000	181,100
Exercised	--	--	--
Expired	--	--	--
Outstanding at end of period	2,071,600	300,000	329,500
Option prices per share outstanding	\$4.89-\$7.50	\$9.00	\$10.13-\$12.75

As of December 31, 1999 the outstanding options had a weighted average remaining contractual life of approximately 8.6 years.

12. Restricted Share Plan

The Company had established a restricted share plan, which originally granted to employees 47,722 restricted Common Shares. The granted restricted shares were scheduled to vest and be issued 20% per year over a five year period, which began June 1, 1994. All such shares other than those which had been forfeited prior to vesting were issued as of December 31, 1998. Each plan participant was entitled to receive additional compensation on a quarterly basis equal to the dividend declared on their respective restricted shares granted under the plan until such plan participants' restricted shares were vested. For the years ended December 31, 1998 and 1997, total compensation expense related to such restricted shares vested in such periods amounted to \$29 and \$76, respectively.

13. 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 \$10 for the year ended December 31, 1999. The Company contributed \$93, \$77 and \$67 for the years ended December 31, 1999, 1998 and 1997, respectively.

14. Dividends and Distributions Payable

On December 13, 1999, the Company declared a cash dividend for the quarter ended December 31, 1999 of \$0.12 per Common Share. The dividend was paid on January 15, 2000 to shareholders of record as of December 31, 1999. A distribution of \$0.12 per Common OP Unit was paid to Common OP Unit holders as well. A distribution of \$10.52 per Preferred OP Unit (\$22.50 per annum pro-rated due to their November 1999 issuance) for the quarter ended December 31, 1999 was declared December 13, 1999 and paid to Preferred OP Unit holders on January 15, 2000.

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

	1999	1998	1997
	----	----	----
Ordinary income	41%	n/a	34%
Return of capital	59%	n/a	66%
	----	---	----
	100%	n/a	100%
	====	===	====

15. Fair Value of Financial Instruments

Statement of Financial Accounting Standards 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, Accounts Receivable, Accounts Payable and Accrued Expenses The carrying amount of these assets and liabilities approximates fair value due to the short-term nature of such accounts.

Mortgage Notes Payable

As of December 31, 1999 and 1998, the Company has determined the estimated fair value of its mortgage notes payable are approximately \$327,690 and \$292,854, 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.

ACADIA REALTY TRUST AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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16. Summary of Quarterly Financial Information (unaudited)

The separate results of operations of the Company for the years ended December 31, 1999 and 1998 are as follows:

	1999	1999	1999	1999	Year
Revenue	\$22,251	\$21,904	\$24,428	\$24,126	\$92,709
Income before minority interest	\$ 1,141	\$ 1,886	\$ 4,362	\$ 2,936	\$10,325
Net income	\$ 765	\$ 1,289	\$ 3,083	\$ 2,058	\$ 7,195
Net income per share - basic and diluted	\$ 0.03	\$ 0.05	\$ 0.12	\$ 0.08	\$ 0.28
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48
Weighted average shares outstanding - basic and diluted	25,419,215	25,510,424	25,988,860	25,908,199	25,708,787

	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998	Total for Year
Revenue	\$10,951	\$10,749	\$16,150	\$21,921	\$59,771
Loss before extraordinary item and minority interest	(\$621)	(\$1,568)	(\$12,920)	(\$1,430)	(\$16,539)
Net loss	(\$533)	(\$1,561)	(\$10,800)	(\$1,004)	(\$13,898)
Net loss per share - basic and diluted	(\$0.06)	(\$0.15)	(\$0.58)	(\$0.04)	(\$0.86)
Loss before extraordinary item	(\$0.06)	(\$0.18)	(\$0.60)	(\$0.04)	(\$0.91)
Net loss	(\$0.06)	(\$0.18)	(\$0.60)	(\$0.04)	(\$0.91)
Cash dividends declared per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Weighted average shares outstanding - basic and diluted	8,544,177	8,555,346	18,078,215	25,419,215	15,205,962

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

17. Legal Proceedings

On November 20, 1995, Jack Wertheimer, a former President of the Company, filed a complaint against the Company, its Trustees, including Mr. Slomowitz, and the Company's former in-house General Counsel and former Chief Financial Officer in the United States District Court for the Middle District of Pennsylvania. The complaint, which was filed in connection with the termination of Mr. Wertheimer's employment, included many of the allegations raised in a state court proceeding commenced by Mr. Wertheimer in November 1994. The Federal court complaint also included a civil RICO action in which Mr. Wertheimer alleged that the Board of Trustees of the Company conspired with Mr. Slomowitz to terminate Mr. Wertheimer's employment as part of the Mr. Slomowitz's breach of his duty of good faith and fair dealing. Further, Mr. Wertheimer alleged that the above defendants engaged in securities fraud in connection with the initial public offering and that Mr. Slomowitz defrauded or overcharged the Company in corporate transactions. The Federal complaint sought treble damages under RICO, as well as damages arising from Mr. Wertheimer's alleged termination of employment, invasion of privacy, intentional infliction of emotional distress, fraud and misrepresentation.

On December 31, 1998, the Company and Mr. Wertheimer settled this litigation and entered into an agreement whereby the Company paid Mr. Wertheimer \$1,000 on December 31, 1998 and agreed to pay him (i)\$900 on April 1, 1999 and (ii) five annual payments of \$200 commencing January 10, 2000. Pursuant to this agreement, the Company has obtained a standby letter of credit to collateralize these future payments (note 6).

The Company is involved in other 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.

18. Contingencies

Upon conducting environmental site inspections in connection with obtaining the Morgan Stanley Mortgage Capital ("Morgan Stanley") financing during October 1996, certain environmental contamination was identified at the Troy Plaza in Troy, New York. The Company has entered into a voluntary remedial agreement with the State of New York for the remediation of the property. Environmental consultants have completed the remediation operations at the site and are performing a post-remediation sampling and analysis program. Upon the issuance



of a final report to the State of New York, the Company will have satisfied all conditions to the voluntary remedial agreement. As of December 31, 1999, Morgan Stanley holds \$250 in escrow to be released upon the Company receiving final approval from the State of New York.

Management is not aware of any other environmental liability that they believe would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which it would incur significant environmental costs if any or all properties were sold, disposed of or abandoned.

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ACADIA REALTY TRUST AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share amounts)

19. Extraordinary Item - Loss on Early Extinguishment of Debt

The consolidated statement of operations for the year ended December 31, 1998 includes the write-off of \$707 in net deferred financing fees as a result of the repayment of the related mortgage debts.

20. Pro Forma Information

The following unaudited pro forma condensed consolidated information for the years ended December 31, 1998 and 1997 is presented as if the RDC Transaction had occurred on January 1, 1997.

	1998 ----	1997 ----
Revenue	\$84,053 =====	\$82,220 =====
(Loss) income before extraordinary item	\$(5,886) =====	\$ 5,170 =====
Net (loss) income	\$(6,067) =====	\$ 4,731 =====
Net (loss) income per share- basic and diluted	\$ (0.24) =====	\$ 0.19 =====
Weighted average number of Common Shares outstanding	24,677,928 =====	24,676,558 =====
Weighted average number of Common Shares outstanding- assuming dilution	24,677,928 =====	24,680,356 =====

21. Subsequent Events

On January 31, 2000, the Company paid down \$23,090 of outstanding debt with a life insurance company from working capital.

On February 8, 2000, the Company closed on a revolving credit facility with a bank, which provides for the borrowing of up to \$7,400. The facility, which is secured by one of the Company's properties, matures in March 2003 and requires the monthly payment of interest at the rate of LIBOR plus 150 basis points (the rate increases by an additional 25 basis points if the amount outstanding under the facility exceeds 50% of the value of the collateral). The monthly repayment of principal amortized over 25 years is required only if the Company draws the full amount available under the facility. The Company has currently not drawn any amounts under this facility.

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ACADIA REALTY TRUST  
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 1999

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized		Buildings & Improvements
				Subsequent to Acquisition	Land	
Shopping Centers						
Circle Plaza Shamokin Dam, PA	(1)	\$ -	\$ 3,435	\$ 13	\$ 2	\$ 3,446
Martintown Plaza North Augusta, SC	(1)	-	4,625	1,620	-	6,245
Midway Plaza Opelika, AL	(1)	196	1,647	3,081	196	4,728
Northside Mall Dothan, AL	(1)	1,604	7,080	2,213	1,604	9,293
New Smyrna Beach New Smyrna Beach FL	(1)	246	2,219	3,963	246	6,182
Wesmark Plaza Sumter, SC	-	380	3,419	3,794	370	7,223
King's Fairground Danville, VA	(1)	-	1,426	242	-	1,668
Cloud Springs Plaza Ft Ogelthorpe, GA	(1)	159	2,712	1,177	159	3,889
Crescent Plaza Brockton, MA	12,000	1,147	7,425	481	1,147	7,906
New Louden Centre Latham, NY	(2)	505	4,161	9,623	505	13,784
Ledgewood Mall Ledgewood, NJ	(2)	619	5,434	30,937	619	36,371
Troy Plaza Troy, NY	(1)	479	1,976	950	479	2,926
Birney Plaza Moosic, PA	(1)	210	2,979	803	210	3,782
Dunmore Plaza Dunmore, PA	(1)	100	506	137	100	643
Mark Plaza Edwardsville, PA	-	-	4,268	3,881	-	8,149
Kingston Plaza Kingston, PA	(1)	305	1,745	463	284	2,229
Luzerne Street Plaza Scranton, PA	2,000	35	315	1,208	35	1,523
Blackman Plaza Wilkes-Barre, PA	-	120	-	1,383	120	1,383
East End Centre Wilkes-Barre, PA	14,200	1,086	8,661	3,493	1,086	12,154
Greenridge Plaza Scranton, PA	6,700	1,335	6,314	695	1,335	7,009
Plaza 15 Lewisburg, PA	(1)	171	81	1,481	171	1,562

	Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)
Shopping Centers			
Circle Plaza Shamokin Dam, PA	\$ 3,448	\$ 1,380	1978 (c)
Martintown Plaza North Augusta, SC	6,245	2,475	1985 (a)
Midway Plaza Opelika, AL	4,924	2,138	1984 (a)
Northside Mall Dothan, AL	10,897	4,133	1986 (a)
New Smyrna Beach New Smyrna Beach FL	6,428	2,835	1983 (a)
Wesmark Plaza Sumter, SC	7,593	2,478	1986 (a)
King's Fairground Danville, VA	1,668	479	1992 (a)
Cloud Springs Plaza Ft Ogelthorpe, GA	4,048	1,634	1985 (a)
Crescent Plaza Brockton, MA	9,053	2,969	1984 (a)
New Louden Centre Latham, NY	14,289	4,315	1982 (a)
Ledgewood Mall Ledgewood, NJ	36,990	14,285	1983 (a)
Troy Plaza Troy, NY	3,405	1,554	1982 (a)
Birney Plaza Moosic, PA	3,992	3,260	1968 (c)
Dunmore Plaza Dunmore, PA	743	304	1975 (a)
Mark Plaza Edwardsville, PA	8,149	3,817	1968 (c)
Kingston Plaza Kingston, PA	2,513	1,264	1982 (c)
Luzerne Street Plaza Scranton, PA	1,558	809	1983 (a)
Blackman Plaza	1,503	72	1968 (c)

Wilkes- Barre, PA East End Centre	13,240	5,308	1986(c)
Wilkes-Barre, PA Greenridge Plaza	8,344	2,921	1986(c)
Scranton, PA Plaza 15	1,733	507	1976(c)
Lewisburg, PA			

ACADIA REALTY TRUST  
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 1999

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements
Shopping Centers (cont.)						
Plaza 422 Lebanon, PA	(2)	190	3,004	414	190	3,418
Tioga West Tunkhannock, PA	(2)	48	1,238	3,144	48	4,382
Mountainville Plaza Allentown, PA	(1)	420	2,390	486	420	2,876
Monroe Plaza Stroudsburg, PA	(1)	70	2,083	147	150	2,150
Ames Plaza Shamokin, PA	(1)	57	1,958	182	57	2,140
Route 6 Mall Honesdale, PA	(2)	-	-	12,696	1,664	11,032
Pittston Mall Pittston, PA	3,866	1,500	-	5,956	1,521	5,935
Valmont Plaza West Hazelton, PA	6,100	522	5,591	1,029	522	6,620
Manahawkin Stafford Township, NJ	5,362	2,400	9,396	4,837	3,105	13,528
Twenty Fifth Street Easton, PA	(1)	2,280	9,276	196	2,280	9,472
Berlin Shopping Centre Berlin, NJ	(2)	1,331	5,351	205	1,331	5,556
Shillington Plaza Reading, PA	(1)	809	3,268	32	809	3,300
Union Plaza New Castle, PA	-	-	-	20,241	5,426	14,815
Bradford Towne Centre Towanda, PA	(2)	-	-	16,100	817	15,283
Atrium Mall Abington, PA	10,360	2,772	11,088	22	2,772	11,110
Bloomfield Town Square Bloomfield Hills, MI	10,332	3,443	13,774	-	3,443	13,774
Walnut Hill Plaza Woonsocket, RI	9,286	3,122	12,408	392	3,122	12,880
Elmwood Park Plaza Elmwood Park, NJ	-	3,248	12,992	211	3,248	13,203
Merrillville Plaza Hobart, IN	13,931	4,288	17,152	565	4,288	17,717
Soundview Marketplace Port Washington, NY	7,126	2,428	9,711	1,180	2,428	10,891
Marketplace of Absecon Absecon, NJ	-	2,573	10,294	488	2,577	10,778

	Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)
Shopping Centers (cont.)			
Plaza 422 Lebanon, PA	3,608	2,062	1972 (c)
Tioga West Tunkhannock, PA	4,430	2,029	1965 (c)
Mountainville Plaza Allentown, PA	3,296	1,543	1983 (a)
Monroe Plaza Stroudsburg, PA	2,300	1,054	1964 (c)
Ames Plaza Shamokin, PA	2,197	1,688	1966 (c)
Route 6 Mall Honesdale, PA	12,696	1,978	1995 (c)
Pittston Mall Pittston, PA	7,456	867	1995 (c)
Valmont Plaza West Hazelton, PA	7,142	2,992	1985 (a)
Manahawkin Stafford Township, NJ	16,633	1,763	1993 (a)
Twenty Fifth Street Easton, PA	11,752	2,000	1993 (a)
Berlin Shopping Centre Berlin, NJ	6,887	1,107	1994 (a)
Shillington Plaza Reading, PA	4,109	586	1994 (a)
Union Plaza New Castle, PA	20,241	1,493	1996 (c)
Bradford Towne Centre Towanda, PA	16,100	2,931	1994 (c)

Atrium Mall Abington, PA	13,882	383	1998 (a)
Bloomfield Town Square Bloomfield Hills, MI	17,217	473	1998 (a)
Walnut Hill Plaza Woonsocket, RI	16,002	539	1998 (a)
Elmwood Park Plaza Elmwood Park, NJ	16,451	447	1998 (a)
Merrillville Plaza Hobart, IN	22,005	638	1998 (a)
Soundview Marketplace Port Washington, NY	13,319	378	1998 (a)
Marketplace of Absecon Absecon, NJ	13,355	378	1998 (a)

ACADIA REALTY TRUST  
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION  
December 31, 1999

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized		
				Subsequent to Acquisition	Buildings & Improvements	
Shopping Centers (cont.)						
Hobson West Plaza Naperville, IL	-	1,793	7,172	243	1,793	7,415
Smithtown Shopping Center Smithtown, NY	9,326	3,229	12,917	933	3,229	13,849
Town Line Plaza Rocky Hill, CT	3,966	878	3,510	6,315	908	9,795
Branch Shopping Center Village of the Branch, NY	5,000	3,156	12,545	-	3,156	12,545
The Caldor Shopping Center Methuen, MA	-	956	3,826	-	956	3,826
Gateway Mall Burlington, VT	6,222	1,273	-	-	1,273	-
Mad River Station Dayton, OH	7,566	2,350	9,404	-	2,350	9,404
Pacesetter Park Shopping Center Ramapo, NY	4,628	1,475	5,899	7	1,475	5,906
239 Greenwich Greenwich, CT	13,750	1,817	15,846	-	1,817	15,846
Residential Properties						
Gate House, Holiday House, Tiger Village Columbia, MO	8,275	2,312	9,247	578	2,312	9,825
Village Apartments Winston Salem, NC	9,979	3,429	13,716	311	3,429	14,028
Glen Oaks Apartments Greenbelt, MD	17,973	5,045	20,180	359	5,045	20,538
Colony Apartments Columbia, MO	3,890	1,118	4,470	147	1,118	4,617
Marley Run Apartments Baltimore, MD	14,508	4,209	16,835	188	4,209	17,023
Properties under development (5)	-	-	-	9,992	-	9,992
	\$ 326,651 (6)	\$ 73,238	\$ 337,049	\$ 159,234	\$ 81,956	487,565

Description	Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)
			Shopping Centers (cont.)
Hobson West Plaza Naperville, IL	9,208	279	1998 (a)
Smithtown Shopping Center Smithtown, NY	17,078	579	1998 (a)
Town Line Plaza Rocky Hill, CT	10,703	515	1998 (a)
Branch Shopping Center Village of the Branch, NY	15,701	432	1998 (a)
The Caldor Shopping Center Methuen, MA	4,782	132	1998 (a)
Gateway Mall Burlington, VT	1,273	-	1999 (a)
Mad River Station Dayton, OH	11,753	196	1999 (a)
Pacesetter Park Shopping Center Ramapo, NY	7,381	12	1999 (a)
239 Greenwich Greenwich, CT	17,663	135	1999 (c)
Residential Properties			
Gate House, Holiday House, Tiger Village Columbia, MO	12,137	367	1998 (a)
Village Apartments Winston Salem, NC	17,457	522	1998 (a)
Glen Oaks Apartments Greenbelt, MD	25,583	731	1998 (a)
Colony Apartments Columbia, MO	5,735	169	1998 (a)
Marley Run Apartments	21,232	601	1998 (a)

Baltimore, MD

Properties under development (5)	9,992	-
	-----	-----
	\$ 569,521	\$ 90,932
	=====	=====

Acadia Realty Trust  
Notes To Schedule 3  
December 31, 1999

1. These seventeen properties serve as collateral for the financing with Morgan Stanley (Note 6).
2. These seven properties serve as collateral for the financing with John Hancock Life Insurance (Note 6).
3. Depreciation and investments in buildings and improvements reflected in the statements of operations 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

4. The aggregate gross cost of property included above for Federal income tax purposes was \$537,459 as of December 31, 1999.
5. Properties under development includes approximately \$5,504 for the Gateway Mall property.
6. Total encumbrances includes \$22,335 for Northwood Centre property which is separately disclosed as Property held for sale in the balance sheet.

7. (a) Reconciliation of Real Estate Properties:

The following table reconciles the real estate properties from January 1, 1997 to December 31, 1999:

	for the year ended December 31,		
	1999	1998	1997
	----	----	----
Balance at beginning of period	\$ 551,249	\$ 311,688	\$ 307,411
Acquisitions and adjustments related to development options and establishment of note payable to the former Principal Shareholder	-	-	-
Other improvements	19,728	16,647	7,480
Properties acquired	25,905	254,164	-
Adjustment of carrying value of property held for sale	-	(11,560)	-
Property held for sale	(27,301)	(11,991)	-
Fully depreciated assets written off	(60)	(3,350)	(998)
Sale of property	-	(4,349)	(2,205)
Balance at end of period	----- \$ 569,521	----- \$ 551,249	----- \$ 311,688
	=====	=====	=====

(b) Reconciliation of accumulated Depreciation:

The following table reconciles accumulated depreciation from January 1, 1997 to December 31, 1999:

	for the year ended December 31,		
	1999	1998	1997
	----	----	----

Balance at beginning of period	\$ 87,202	\$ 83,326	\$ 72,956
Sale of property	-	(2,035)	(905)
Property held for sale	(14,074)	(4,918)	-
Fully depreciated assets written off	(60)	(3,350)	(998)
Depreciation related to real estate	17,864	14,179	12,273
Balance at end of period	<u>\$ 90,932</u>	<u>\$ 87,202</u>	<u>\$ 83,326</u>

CERTIFICATE OF DESIGNATION  
OF  
SERIES A PREFERRED  
OPERATING PARTNERSHIP UNITS  
OF  
LIMITED PARTNERSHIP INTEREST  
OF  
ACADIA REALTY LIMITED PARTNERSHIP

Series A Preferred Units

A series of \_\_\_\_\_ operating units of Preferred Limited Partnership Interests, par value \$0.001 per unit of ACADIA REALTY LIMITED PARTNERSHIP (the "Company"), a Delaware limited partnership, shall be created and be designated "Series A Preferred Units" having the following rights and preferences:

DESIGNATION OF SERIES A PREFERRED UNITS. The rights, references, powers, privileges and restrictions, qualifications and limitations granted to or imposed upon the Series A Preferred Units (referred to hereinafter sometimes as the "Designation") shall be as set forth below. This Certificate of Designation shall incorporate by reference the terms and obligations set forth in Article 13 of that certain Agreement of Contribution between AmCap, Incorporated, Berlind Group, Inc., H. Robert Holmes, Lennox Securities, Inc. and Ralph Worthington IV and Pacesetter/Ramapo Associates, Acadia Pacesetter LLC ("Acadia"), the Company and Acadia Realty Trust, dated as of November 8, 1999. The Company may issue other additional series of Preferred Units whose rights, preferences, powers, privileges and restrictions, qualifications and limitations regarding Distributions (as hereinafter defined) and or liquidation are either subordinate to, or pari passu with, the Designations of the Series A Preferred Units, but in no event shall the Company issue any other Series A Preferred Units except to the holders thereof in accordance with the terms hereof. Notwithstanding anything to the contrary contained herein, the Company may issue Preferred Units which are senior to the Series A Preferred Units but only in exchange for a cash capital contribution. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Company's Amended and Restated Partnership Agreement, dated as of March 22, 1999, (the "Partnership Agreement"). The Partnership Agreement is on file at the principal place of business of the Company and copies will be made available on request and without cost to any unit holder of the Company so requesting.

1. Stated Value. The stated value of the Series A Preferred Units shall be One Thousand Dollars (\$1,000.00) per unit (the "Stated Value").

2. Distributions,

(a) Subject to Section 2(b) below, commencing from the date of initial Issuance of units of Series A Preferred Units (the "Date of Issuance"), distributions (the "Distributions") on each unit of Series A Preferred Units shall be payable in arrears quarterly in an amount equal to the greater of (i) \$22.50 or (ii) the quarterly distribution attributable to a unit of Series A Preferred Units if such unit had been converted into Common Units (as hereinafter defined) pursuant to Section 4 hereof. The Distributions shall be declared and payable whenever distributions on the Common Units (defined below) are declared and paid (a "Distribution Payment Date"). If on any Distribution Payment Date the Company shall not be lawfully permitted under Delaware law to pay all or a portion of any such

declared Distributions, the Company shall take such action as may be lawfully permitted in order to enable the Company to the extent permitted by Delaware law, lawfully to pay such Distributions. Distributions shall be cumulative in amounts equal to amounts described in subparagraphs (i) and (ii) above of this Section 2 (a) (the "Distribution Rate") from the Date of Issuance, whether or not in any Distribution period such Distribution shall be declared or there shall be funds of the Company legally available for payment of such Distributions. In addition, if a Distribution is not made in any quarter at the Distribution Rate, then such Distribution shortfall shall bear interest from the

last day of such quarter until the date paid (whether in cash or, pursuant to the next sentence, in Common Units) at an annual rate equal to the greater of (a) nine percent (9%) per annum or (b) the Prime Rate as published in the New York Times or the Wall Street Journal. If during any period of five consecutive quarters, the Partnership has failed to make Distributions to holders of the Series A Preferred Units in amounts which, in the aggregate, equal or exceed the Distribution Rate for such five quarter period, the holders of the Series A Preferred Units may convert some or all of such Units to Common Units at the lesser of (i) \$7.50 or (ii) the Market Price (as defined in the Partnership Agreement) on the date of such conversion. If during any period of five consecutive quarters, the Partnership has failed to make Distributions to holders of the Series A Preferred Units in amounts which, in the aggregate, equal or exceed the Distribution Rate for such five quarter period, such holders may also require the Company to issue to such holders, at any time and from time to time, Common Units equal in value to the amount by which Distributions for the period are less than the Distribution Rate for the period, plus interest on such shortfall as provided above (based on the Market Price on the date such holder requests payment in the form of Common Units). No Distributions shall be declared or paid on any class of Common Units or any other class or series of Preferred Units, other than Distributions declared and paid on such series of Preferred Units which, by the terms of such series, Certificate of Designation, have rights, preferences, powers, privileges and restrictions, qualifications and limitations that are senior or pari passu with the Series A Preferred Units (such Preferred Units hereinafter referred to as "Qualifying Preferred Units") until all Distributions, if any, due and legally payable on the Series A Preferred Units have been paid to the holders of such units. The record date for the payment of Distributions on the Series A Preferred Units shall be the day immediately prior to each such Distribution Payment Date.

(b) For purposes of this Certificate of Designation "Business Day" shall mean any day, excluding Saturday, Sunday and any other day on which commercial banks in New York are authorized or required by law to close.

3. Liquidation. The Series A Preferred Units shall be preferred as to assets over any class of Common Units or other class of preferred units of the Company, other than Qualifying Preferred Units, such that in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred Units shall be entitled to have set apart for them, or to be paid out of the assets of the Company, before any distribution is made to or set apart for the holders of the Common Units or other series of preferred units or any other capital interest heretofore or hereafter issued, other than Qualifying Preferred Units, an amount in cash equal to the Stated Value per unit plus any "Accrued Distributions" (as defined below) as of such date of payment. "Accrued Distributions" shall mean, as of any date of determination, an amount equal to the amount of Distributions, determined at the rate fixed for the payment of distributions on the Series A Preferred Units on such date as provided in Section 2 hereof which would be paid on the Series A Preferred Units for the period of time elapsed from the most recent actual Distribution Payment Date to the date of determination together with any Distribution shortfall and interest thereon as provided in Section 2(a). If the assets or surplus funds to be distributed to the holders of the Series A Preferred Units are insufficient to permit the payment to such holders of their full preferential amount, the assets and surplus funds legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Units in proportion to the full preferential amount each such holder is otherwise entitled to receive.

#### 4. Conversion of Series A Preferred Units.

The holders of Series A Preferred Units shall have the following conversion rights:

(i) Optional Right to Convert. Each Series A Preferred Unit shall be convertible, at any time or from time to time (with each such date being referred to as the "Conversion Date") and at the Conversion Price set forth below, into fully paid and nonassessable common units of limited partner interests of the Company ("Common Units"), at the option of the holder as set forth below ("Optional Conversion").

(ii) Mechanics of Conversion. Each holder of Series A



Preferred Units who desires to convert part or all of the Series A Preferred Units held by it from time to time into Common Units shall provide notice to the Company in the form of the Notice of Conversion attached to the certificate pursuant to which the Series A Preferred Units were issued (which certificate and conversion notice (a "Conversion Notice") shall be in the form annexed hereto as Exhibit A) via telecopy, hand delivery or other mail or messenger service. The original Conversion Notice and the certificate or certificates representing the Series A Preferred Units for which conversion is elected (or an affidavit in form and substance reasonably satisfactory to the Company as to loss or destruction of such certificate or certificates), shall be delivered to the Company by nationally recognized courier, duly endorsed. The date upon which a Conversion Notice is initially received by the Company shall be a "Notice Date."

The Company shall issue and deliver within three (3) Business Days after the Notice Date, to such holder of Series A Preferred Units at the address of the holder on the books of the Company, (i) a certificate or certificates for the number of Common Units to which the holder shall be entitled as set forth herein and (ii) if the Series A Preferred Units represented by such certificate have been converted only in part, a new certificate evidencing the Series A Preferred Units not subject to the conversion. The person or persons entitled to receive the Common Units issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Units on the date both of the Conversion Notice and original certificates (or affidavits) are received.

(iii) Conversion Price. Each Series A Preferred Unit shall be convertible into a number of Common Units or fraction of Common Units obtained pursuant to the following formula (the "Conversion Formula"):

$$\frac{\text{Redemption Price}}{\text{Conversion Price}}$$

where:

Redemption Price =	for each Series A Preferred Unit for which conversion is being elected, such unit's Stated Value, plus any Accrued Distributions:
Conversion Price =	\$7.50

Notwithstanding the foregoing, with respect to (i) an Optional Conversion after the seventh anniversary of the date hereof ("Seventh Anniversary") or (ii) any Mandatory Conversion, the Conversion Price shall be \$7.50 unless during the period commencing on the first anniversary of the date hereof and ending on the Seventh Anniversary, the average closing price of a Common Share for any three (3) out of four (4) consecutive calendar quarters does not equal or exceed \$7.50, in which event the Conversion Price shall equal the lesser of (i) \$7.50 and (ii) the Market Price on the Mandatory Conversion Date or Notice Date, as applicable. The Conversion Price for an Optional Conversion prior to the Seventh Anniversary shall be \$7.50.

(iv) Mandatory Conversion. At any time following the Seventh Anniversary, the Company may cause the conversion (a "Mandatory Conversion") of the Series A Preferred Units outstanding on the Mandatory Conversion Date (as hereinafter defined) into Common Units pursuant to the Conversion Formula as set forth above; provided, however, that no Mandatory Conversion may be effective with a Mandatory Conversion Date during the time between the record date for Distributions and the Distribution Payment Date for such record date.

To effect a Mandatory Conversion, the Company shall issue to each holder of record an irrevocable notice stating that the Company is effecting a Mandatory Conversion with regard to the Series A Preferred Units. Such notice shall contain a statement indicating the number of Series A Preferred Units subject to the Mandatory Conversion, and if less than all outstanding Series A Preferred Units are being so converted, the percentage of Series A Preferred Units held by each holder subject to the Mandatory Conversion. Unless otherwise agreed to by all the holders of Series A Preferred Units and the Company, any such Mandatory Conversion shall be exercised by the Company on a pro rata basis among all holders of Series A Preferred Units. On the Mandatory Conversion Date, each certificate representing Series A Preferred

Units outstanding shall automatically, with no further action required by any holder or the Company, represent the number of Common Units of such holder, and such Series A Preferred Units remaining if less than all outstanding units of Series A Preferred Units were so converted, for which each Series A Preferred Unit was converted in accordance with this Section 4(iv). As promptly as practicable after the Mandatory Conversion Date and in no event more than three (3) Business Days after the Mandatory Conversion Date, the Company shall issue and shall deliver to the holders of Series A Preferred Units subject to the Mandatory Conversion (i) a certificate representing the number of Common Units to which the Series A Preferred Units were converted in accordance with the provisions of this Section 4(iv) and (ii) if less than all outstanding Series A Preferred Units were so converted, upon submission to the Company of the certificate or certificates representing the Series A Preferred Units held by such holder immediately prior to the Mandatory Conversion, a new certificate evidencing the Series A Preferred Units held by such holder immediately following the Mandatory Conversion (until such time as such certificate or certificates are submitted to the Company, the certificate or certificates representing the Series A Preferred Units held by a holder immediately prior to the Mandatory Conversion shall be deemed to represent the number of Series A Preferred Units held by such holder immediately following the Mandatory Conversion). Such conversion shall be deemed to have been effected on the opening of business on the date the notice was received by the holders of record of Series A Preferred Units (the "Mandatory Conversion Date"), and at such time the rights of the holder as holder of the converted Series A Preferred Units shall cease and the person or persons in whose name or names any certificate or certificates for Common Units shall be issuable upon such Mandatory Conversion shall be deemed to have become the holder or holders of record of the Common Units represented thereby and shall be immediately eligible to convert such Common Units to shares of the REIT by notice to the Company without further deliveries.

(v) Reservation of Common Units Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Common Units, solely for the purpose of effecting the conversion of the Series A Preferred Units, such number of its Common Units as shall from time to time be sufficient to effect the conversion of all then outstanding Series A Preferred Units. If at any time the number of authorized but unissued Common Units shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Units, no Mandatory Conversion may take place and the Company will take such action as may be necessary to increase its authorized but unissued Common Units to such number of units as shall be sufficient for such purpose.

(vi) Adjustment to Conversion Price.

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(a) If, prior to the conversion of all Series A Preferred Units, the number of outstanding Common Units is increased by a unit split, reclassification of units or other similar event, the Conversion Price shall be proportionately reduced, or if the number of outstanding Common Units is decreased by a combination or reclassification of units, or other similar event, the Conversion Price shall be proportionately increased.

(b) If prior to the conversion of all Series A Preferred Units, there shall be any merger, consolidation, exchange of units, recapitalization reorganization, or other similar event (each, an "Adjustment Event"), as a result of which Common Units of the Company shall be changed into the same or a different number of securities of the same or another class or classes of units or securities of the Company or another entity (the "Substitute Units:), then the holders of Series A Preferred Units shall thereafter have the right to receive upon conversion of Series A Preferred Units, upon the basis and upon the terms and conditions specified herein and in lieu of the Common Units otherwise issuable upon conversion, such number of Substitute Units as would have been issuable with respect to or in exchange for the number of Common Units that would have been issuable upon the conversion of Series A Preferred Units held by such holders immediately prior to such Adjustment Event. In any such case appropriate provisions shall be made with respect to the rights and interest of the holders of the Series A Preferred Units to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of Common Units issuable upon conversion of the Series A Preferred Units) shall thereafter be applicable, as nearly as

may be practicable in relation to any units or securities thereafter deliverable upon the exercise hereof. The Company shall not effect any transaction described in this subsection unless the resulting successor or acquiring entity (if not the Company) assumes by written instrument the obligation to deliver to the holders of the Series A Preferred Units such units and/or securities as, in accordance with the foregoing provisions, the holders of the Series A Preferred Units may be entitled to receive upon conversion thereof.

(c) If any adjustment under this subsection would create a fractional unit of Common Units or a right to acquire a fractional unit of Common Units, such fractional units shall be issued.

v. Status of Converted Units. In the event any Series A Preferred Units shall be converted as contemplated by this Certificate of Designation, the units so converted shall be retired, canceled, and shall not be issuable by the Company as Series A Preferred Units.

vi. Distributions on Converted Units. All distributions to be made with respect to Common Units received pursuant to an Optional Conversion of Series A Preferred Units or a Mandatory Conversion of Series A Preferred Units shall be determined as if the Common Units were received on the first Business Day following the date of the last regular distribution made with respect to the Common Units (i.e. the holders of the Common Units received upon conversion shall be entitled to the full quarterly distribution with respect to such Common Units); provided, however, that in the case of a Mandatory Conversion, if such Mandatory Conversion occurs on a date other than a Distribution Payment Date, on the Distribution Payment Date immediately following the Mandatory Conversion, the holder of Common Units received pursuant to such Mandatory Conversion shall receive a distribution equal to the greater of (i) the distribution to be received by holders of Common Units on such date (the "Common Unit Distribution") and (ii) the sum of (A) the Distribution multiplied by the quotient obtained by dividing (i) the number of days elapsed between the previous Distribution Payment Date and the Mandatory Conversion Date by (ii) the total number of days elapsed between the previous Distribution Payment Date and the then current Distribution Payment Date (the "Total Conversion Period Days") and (B) the Common Unit Distribution multiplied by the quotient obtained by dividing (i) the number of days elapsed between the Mandatory Conversion Date and the then current Distribution Payment Date by (ii) the Total Conversion Period Days.

5. No Reissuance. Any Series A Preferred Units exchanged, redeemed, purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof.

6. Voting. The Company shall not, without the affirmative consent of the holders of at least seventy-five percent (75%) of the outstanding Series A Preferred Units:

(a) in any manner authorize, create or issue any additional preferred units or any class or series of capital interests, in either case (i) ranking, either as to payment of distributions or distribution of assets, prior to, the Series A Preferred Units or (ii) which in any manner adversely affects the holders of units of Series A Preferred Units., or authorize, create or issue any capital interests of any class or series or any bonds, debentures, notes or other obligations convertible into a exchangeable for, or having optional rights to purchase, any capital interests having any such preference or priority or so adversely affecting the holder of Series A Preferred Units; or

(b) in any manner alter or change the designations or the powers, preferences or rights, or the qualifications, limitations or restrictions of the Series A Preferred Units; or

(c) reclassify the Common Units or any other units of any class or series of capital interests hereafter created junior to the Series A Preferred Units into capitalization of any class or series of capital interests (i) ranking, either as to payment of dividends or distribution of assets prior to or pari passu with the Series A Preferred Units. or (ii) which in any manner adversely affects the holders of Series A Preferred Units; or

(d) alter the one-to-one equivalence of a Common Unit and a

Common Share (as adjusted to reflect anti-dilution protection).

7. Notice of Certain Events. If at any time, the Company and/or Acadia Realty Trust, a Maryland trust ("Acadia") proposes:

(a) to pay any distribution or dividend payable in securities (of any class or classes) or any obligations, stock or units convertible into or exchangeable for Common Units or the common shares of beneficial interest of Acadia, par value \$.01 per share ("Common Shares") upon either of their capital securities, including without limitation (i) Common Units or Common Shares or (ii) a cash distribution other than its customary quarterly cash distribution (collectively, an "Extraordinary Distribution");

(b) to grant to the holders of its Common Units or Common Shares generally any rights or warrants (excluding any warrants or other rights granted to any employee, director, officer contractor or consultant of the Company or Acadia pursuant to any plan approved by the general partner of the Company or the Board of Trustees of Acadia (a "Rights Distribution");

(c) to effect any capital reorganization or reclassification of capital securities of the Company or Acadia;

(d) to consolidate with, or merge into, any other company or to transfer its property as an entity or substantially as an entirety; or

(e) to effect the liquidation, dissolution or winding up of the Company or Acadia, then, in any one or more of the foregoing cases, the Company shall give, by certified or registered mail, postage prepaid, addressed to the holders of Series A Preferred Units at the address of such holders as shown on the record books of the Company, (i) at least thirty (30) days' prior written notice of the date on which the books of the Company shall close or of a record date fixed for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, and (ii) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, at least thirty (30) days' prior written notice of the date when the same shall take place. Any notice given in accordance with the foregoing clause (i) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of any class of capital securities shall be entitled thereto; or

(f) to issue Preferred Units senior to the Series A Preferred Units; it shall give at least ten (10) days' prior written notice of such event to the holders of the series A Preferred Units. In addition, it will give such notice as it is required to give to holders of any other Series of Preferred Units.

8. Rank and Limitations of Preferred Units. All Series A Preferred Units shall rank equally with each other Series A Preferred Units and shall be identical in all respects.

9. Joinder with Acadia Realty Trust hereunder. The Company joins in the covenant of Acadia set forth below.

10. Notices. All notices to be given hereunder shall be personally delivered (including by nationally recognized overnight carriers, such as Federal Express) or sent by registered or certified mail, return receipt requested, with postage prepaid.

11. Certificate Governs. In the event of any conflict between the provisions of this Certificate of Designation and the provisions of the Partnership Agreement, the provisions of this Certificate of Designation shall govern.

All notices sent by mail shall be deemed effectively given on the date that is three (3) business days after the date of such mailing. All notices personally delivered shall be deemed effectively given on the date of such delivery.

November 18, 1999

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust  
its General Partner

By:/s/Kenneth F. Bernstein

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Kenneth F. Bernstein  
President

So long as any Series A Preferred Units or Common Units issued upon the conversion thereof are outstanding, the undersigned agrees to (i) maintain the one-to-one equivalence of a Common Share and a Common Unit (subject to anti-dilution protections) and (ii) abide by this Agreement and cause the General Partner of the Company to abide by this Agreement.

November 18, 1 999

Acadia Realty Trust

By:/s/Kenneth F. Bernstein

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Kenneth F. Bernstein  
President

SECURED PROMISSORY NOTE

Date of Note: As of February 8, 2000

Principal Sum: \$7,400,000  
Maturity Date: March 1, 2003

FOR VALUE RECEIVED, RD ABESCON ASSOCIATES, L.P., a Delaware limited partnership ("Maker"), does hereby covenant and promise to pay to the order of FLEET BANK, NATIONAL ASSOCIATION, a national banking association ("Payee"), at 1133 Avenue of the Americas, New York, New York 10036, or at such other place as Payee may designate to Maker in writing from time to time, in lawful money of the United States of America and in immediately available funds, the lesser of the Principal Sum stated above and the Principal Sum from time to time outstanding hereunder and to pay interest on the Principal Sum from time to time outstanding hereunder in like money and funds as hereinafter provided.

1. Definitions. The following terms, as used in this Note, shall have the meanings indicated opposite them and terms capitalized herein and not otherwise defined herein but defined in the Mortgage shall have the meaning set forth in the Mortgage:

"Acadia" shall mean Acadia Realty Trust, a Maryland business trust.

"Accounting Principles" shall mean the accounting principles utilized in the preparation of the operating statements for the Mortgaged Premises heretofore delivered to Payee.

"Acme Lease" shall mean that certain Lease dated June 6, 1990 between Absecon Marketplace Associates, as landlord, and SuperFresh Food Markets, Inc., as tenant, as amended by amendments dated October 1, 1991, January 13, 1994 and July 27, 1999, and undated letter agreement relating to the disclosure of gross revenue from the sale of merchandise at the premises leased pursuant to the Acme Lease. Maker is the current landlord and American Store Properties; Inc. is the current tenant.

"Acme Operating Requirement" shall mean that the current tenant under the Acme Lease, operating under the trade name of Acme, is open for business and operating a supermarket in substantially all of the premises demised pursuant to the Acme Lease, except for periods when due to a casualty or condemnation (in respect of which Payee is pursuant to the Mortgage obligated to make the proceeds available for restoration) such premises are closed pending such tenant reopening following restoration.

"Additional Advance" shall have the meaning assigned to such term in PARAGRAPH 5 of this Note.

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"Applicable Rate" - either the Prime Rate plus the Applicable Spread or the LIBOR Rate in effect at any given time pursuant to the terms hereof plus the Applicable Spread.

"Applicable Spread" shall have the meaning assigned to such term in PARAGRAPH 4(d).

"Appraised Value" - shall mean the appraised value of the Mortgaged Premises, as determined by an independent appraiser selected by Payee and reasonably acceptable to Maker. Payee may require that such an appraisal be performed at any time. Appraised Value shall be determined utilizing an appraisal method consistent with that used in determining the Appraised Value for Payee in connection with this Loan. Maker shall solely be responsible for the cost of only one appraisal per annum requested by Payee.

"Authorized Representative" - shall mean Perry Kamerman, Arnold Wachsberger, Robert Masters or any other person or persons designated by Maker, in a writing delivered to Payee, as an Authorized Representative.

"Business Day" - a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Change in Control" shall mean and include any of the following:

(i) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted Acadia's trustees (together with any new trustees whose election by Acadia's trustees or whose nomination for election by Acadia's shareholders was approved by a vote of at least two-thirds of the trustees then still in office who either were trustees at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the trustees then in office;

(ii) any person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "1934 Act")), shall acquire, directly or indirectly, beneficial ownership (within the meaning of Rule 13d-3 and 13d-5 of the 1934 Act) of more than 35%, on a fully diluted basis, of the economic or voting interest in Acadia's shares of beneficial interest (or other equity securities equivalent thereto);

(iii) the full time active employment of Ross Dworman, as chief executive officer of Acadia, and of Kenneth F. Bernstein, as President of Acadia, shall be voluntarily terminated by Acadia or shall otherwise cease, unless a successor acceptable to Payee shall have been appointed or elected and actually taken office within three months following any such termination or cessation, in which case the name of such successor shall be substituted for the name of the person he or she replaces for purposes of this clause (iii);

(iv) the shareholders of Acadia approve a merger or consolidation of Acadia with any other person, other than a merger or consolidation which would result in the voting securities of Acadia outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted or exchanged for voting securities of the surviving

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or resulting entity) more than 75% of the combined voting power of the voting securities of Acadia or such surviving or resulting entity outstanding after such merger or consolidation;

(v) the shareholders of Acadia approve a plan of complete liquidation of Acadia or an agreement or agreements for the sale or disposition by Acadia of all or substantially all of Acadia's assets; and/or

(vi) any "change in control" or any similar term as defined in any of the indentures, credit agreements or other instruments governing any indebtedness of Acadia or any of its affiliates.

"Default" - shall mean any act or condition which with the giving of notice or the lapse of time, or both, could become an Event of Default.

"Eckerd Lease" - shall mean, collectively, that certain Lease dated November 4, 1993, between Absecon Market Place Associates, as landlord, and Eckerd Corporation, as tenant, and that certain lease dated January 26, 2000 between Maker, as landlord, and Eckerd Corporation, as tenant.

"Event of Default" - shall have the meaning assigned to such term in PARAGRAPH 13 of this Note.

"Fixed Rate Acceptance Notice" - shall have the meaning assigned to such term in PARAGRAPH 4(b) hereof.

"Fixed Rate Notice" - Maker's telephonic notice immediately confirmed in writing, which writing may be delivered by telecopier, stating that Maker, subject to delivery by it of a Fixed Rate Acceptance Notice, elects to pay interest on the whole or a portion of the Principal Sum at the LIBOR Rate, as specified in such Notice, and specifying the applicable Interest Period for the LIBOR Advance and the Business Day on which such Interest Period is to begin.

"Full Force and Effect" - shall mean, as to any lease, that such lease shall be in full force and effect, there shall be no material default by the tenant thereunder or default by the landlord thereunder or other act or condition or circumstance giving or which may give, without the giving of any further notice, the tenant or the landlord the right to terminate any lease and, if requested by Payee and required by its lease, the tenant shall have delivered to Payee an estoppel certificate in form and substance reasonably satisfactory to Payee.

"Guarantor" - shall mean Acadia Realty Limited Partnership, a Delaware limited partnership and the sole member of Maker.

"Interest Period" - with respect to LEBOR Advances, a period of 30, 60, 90, 120 or 180 days (or such other periods as Payee may elect to make available); provided, however, that no such period shall extend beyond the Maturity Date. Any Interest Period which terminates on a non-Business Day shall be deemed, for purposes hereof, to terminate on the next succeeding Business Day.

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"LIBOR Advance" - an advance with respect to which the Principal Sum bears interest at the LIBOR Rate plus the Applicable Spread.

"LIBOR Rate" - shall mean, for the applicable Interest Period, the rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) determined by Payee (any such determination to be conclusive, absent manifest error) on the basis of the offered rates for deposits in U.S. dollars in an amount approximating the proposed LIBOR Advance and having a maturity equal to the proposed Interest Period appearing on the Telerate Screen page 3750 (or the successor page reference thereto) as of approximately 1 1:00 AM (London time) two Business Days before the date on which such Interest Period shall commence. If at least two such offered rates appear on the Telerate Screen page 3750 or associated pages, the rate in respect of such Interest Period will be the arithmetic mean (rounded up to the nearest 1/16) of such offered rates. If no such rate appears, the rate in respect of such Interest Period will be the rate specified as LIBOR on the Reuters Screen LIBO page as of such date for such Interest Period (in an amount equal to the portion of the Principal Sum with respect to which the LIBOR Rate is determined). If both the Telerate and Reuters systems are unavailable, then the rate for the applicable Interest Period will be determined on the basis of the offered rates for deposits in U.S. dollars in an amount approximating the proposed LIBOR Advance and having a maturity equal to the proposed Interest Period which are offered by four major banks in the London interbank market as of such date. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two such quotations are provided, the rate in respect of such Interest Period will be the arithmetic mean (rounded up to the nearest 1/16) of such offered rates. If fewer than two quotations are provided as requested, the rate for the applicable Interest Period will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for such Interest Period offered by major banks in New York City as of such date. In the event that Payee is unable to obtain any such quotation as provided above, it will be deemed that the rate for the applicable Interest Period cannot be determined. In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Percentage (as hereafter defined) with respect to LIBOR deposits of Payee, then for any Interest Period during which such Reserve Percentage shall apply, the rate for such Interest Period shall from time to time be adjusted to be equal to the amount determined above divided by an amount equal to one (1) minus the Reserve Percentage such that the LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage. "Reserve Percentage" shall mean the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed on member banks for the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D.

"Liquid Net Worth" shall mean unencumbered "cash and short term investments at cost" and "investments in marketable securities" (which shall be marked to market) as shown by Acadia's financial statements (calculated in a manner consistent with Acadia's statements for the period ending September 30, 1999).

"Loan" - loans of up to the Principal Sum made and/or to be made to Maker by Payee and evidenced hereby.



"Maturity Date" - shall mean the then applicable maturity date pursuant to PARAGRAPH 3 of this Note.

"Mortgage" - that certain Security Agreement and Assignment of Rents and Leases of even date herewith by Maker to Payee, as the same may be amended, modified, supplemented and otherwise in effect from time to time.

"Mortgaged Premises" - shall have the meaning assigned to such term in the Mortgage.

"Net Operating Income" - shall mean, with respect to the applicable Accounting Period or Spread Accounting Period, the aggregate rental and other receipts (unless excluded pursuant hereto) of the Mortgaged Premises (actual results with respect to the preceding six months and pro forma with respect to the following six-months) during such period less the aggregate amount of all operating expenses of the Mortgaged Premises during such period, in each case determined in accordance with the Accounting Principles. For purposes of the determination of Net Operating Income, operating expenses shall include, without limitation, all real estate taxes (but not in excess of the pro rata portion of such real estate taxes applicable to the Accounting Period or Spread Accounting Period covered by the statement), water and sewer charges, utility charges, insurance premiums (but not in excess of the amounts applicable to the Accounting Period or Spread Accounting Period covered by the statement), salaries and benefits of all employees engaged in the operation, maintenance or management of Mortgaged Premises, all costs of ordinary and necessary maintenance, cleaning and repair, costs of snow and rubbish removal and security services. Net Operating Income shall, however, (a) exclude from receipts all amounts paid to Maker for tenant alterations in connection with the leasing of space in the Project, all amounts payable to Maker under leases with Affiliates of Maker, as tenant, or with Maker, as tenant (unless Payee otherwise agrees) and, with respect to any lease providing for a reduction in the rentals payable under such lease at any time during the term thereof, base rentals in excess of the lowest base rentals payable under such lease (other than during any period of rent concessions made with respect to consecutive monthly periods commencing with the first month of the term of such lease), and (b) exclude from expenses payments of principal and interest of the Loan, capital expenditures, leasing commissions, and other expenses payable to Payee pursuant to this Note or any of the Security Documents. Net Operating Income shall be determined without regard to extraordinary items of income and of expense. Each lease, the rental or other income from which was included in the calculations of Net Operating Income, must in Full Force and Effect as of the date Net Operating Income is being determined.

"Net Worth" shall mean the net worth of Acadia as shown on its financial statements, and as subsequently determined in accordance with the accounting principles, consistently applied, used in Acadia's statements as of September 30, 1999.

"Note" - this Secured Promissory Note, as the same may be amended or otherwise modified from time to time.

"Person" shall mean and include any individual corporation, partnership unincorporated association, trust, governmental agency or authority or other entity.

"Prime Rate" - means the rate which Payee publicly announces from time to time as its Prime Rate. The Prime Rate shall be adjusted from time to time when and, as the Prime Rate shall change. The Prime Rate is determined from time to time by Payee as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index, nor does it necessarily reflect the lowest rate of interest actually charged by Payee to any customer class or category of its customers. Payee may make commercial or other loans at rates of interest at, above or below the Prime Rate.

"Prime Rate Advance" - an advance with respect to which the Principal Sum or a portion thereof bears interest at the Prime Rate plus the Applicable Spread.

"Projected Debt-Service Expense" - shall mean the amount which, as at each Accounting Date or as at the end of each Spread Accounting Period, Maker would be projected to pay for principal and interest for the twelve months immediately following each Accounting Date or the end of such Spread Accounting Period on a principal amount equal to the greater of (x) the then outstanding Principal Sum of the Note and (y) the average outstanding Principal Sum over the sixty (60) day period immediately preceding the date upon which Projected Debt Service Expense is being calculated, assuming for this purpose (A) that the interest rate for such twelve month period shall be the greater of the ten-year treasury note rate in effect on the date Projected Debt Service Expense is being calculated plus two (2.0%) percent, 7.5% per annum and the weighted average interest rate payable on the Loans as of the date Projected Debt Service Expense is being determined, and (B) that the principal is payable in accordance with a twenty-five year self-liquidating mortgage-style amortization schedule using the interest rate determined pursuant to the preceding clause (A).

"Regulation D " - Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect, including any successor or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Security Documents" - shall have the meaning assigned to such term in PARAGRAPH 16 of this Note.

"Spread Accounting Period" - shall mean the three month period ending March 31, 2000 and each three month period ending on each June 30, September 30, December 31 and March 31 thereafter.

2. Amortization and Interest; Facility Fee. (a) The Principal Sum of this Note shall be payable in accordance with the following provisions: Commencing on the earlier of the first day of the month immediately following the month in which the Loan is fully advanced and February 1, 2001 and on the first day of each month thereafter, Maker will pay, on account of the Principal Sum, the amount which would be payable on a self-liquidating mortgage-style amortization schedule based on the Principal Sum then outstanding, a loan maturity of twenty-five (25) years and an interest rate of 8.0% per annum. Upon the making of each Additional Advance, the amortization schedule shall be recalculated such that immediately upon the making of each Additional Advance the monthly principal payments shall be recalculated based on the Principal Sum outstanding after the making of the Additional Advance, a loan

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maturity of twenty-five years less the number of months which have elapsed since the first amortization payment pursuant to this PARAGRAPH 2 and an interest rate of 8.0% per annum and such revised amortization schedule shall be applicable to the payment due on the first day of the month immediately following the making of the Additional Advance and each month thereafter, unless and until such schedule is revised in accordance herewith. The prepayment premium provided for in PARAGRAPH 10 hereof shall not be applicable to any such scheduled monthly payments. Any voluntary prepayments applied to principal shall be applied in the inverse order of maturity.

(b) Interest on the outstanding Principal Sum shall accrue from and including the date of the advance to but excluding the date of any repayment or prepayment thereof and shall be payable in arrears (i) on the first day of each calendar month, commencing March 1, 2000, (ii) on the date of any prepayment (on the amount prepaid), (iii) on the Maturity Date, and (iv) after maturity (whether by acceleration or otherwise) on demand. All interest calculations provided for herein shall be made on the basis of a 360-day year and the actual number of days elapsed.

(c) Maker authorizes Payee to record on SCHEDULE I annexed hereto the information with respect to any Loan and any payments and prepayments of the Principal Sum made by Maker and such notations shall be presumed to be correct and binding subject to rebuttal by Maker only by clear and convincing evidence; provided, however, that the Failure of Payee to make any such notation shall not limit or otherwise affect the obligation of Maker to repay the Principal Sum nor alter or impair any of the other obligations of

Maker hereunder or under the Security Documents.

(d) Concurrently with the execution and delivery of this Note, Maker shall pay Payee a non-refundable facility fee of \$55,500.

### 3. Maturity Date.

(a) The outstanding Principal Sum and all accrued and unpaid interest thereon shall be due and payable on March 1, 2003 (the "First Maturity Date").

(b) If, as of the date of the notice of Maker referred to in this PARAGRAPH 3 and the First Maturity Date, (w) the Acme Lease is in Full Force and Effect, the tenant under the Acme Lease then has a credit rating of BBB or better (as established by Standard & Poors, and no breach of the Acme Operating Requirement is then continuing, (x) no Event of Default is then continuing, (y) the Appraised Value of the Mortgaged Premises equals or exceeds one hundred and fifty-four percent (154%) of the aggregate of the then outstanding principal sum of this Note and amounts which may thereafter be advanced hereunder, and (z) the ratio of Net Operating Income to Projected Debt Service Coverage is 1.40:1 or greater (assuming for the purposes of this clause (z) that the then Maturity Date was an Accounting Date (as such term is hereinafter defined), then Maker, by written notice to Payee not later than thirty (30) days prior to the First Maturity Date and not earlier than six (6) months prior to such date, shall have the option to extend the maturity of the Loan for one (1) year (the "First Extension Period") to March 1, 2004 (the "Second Maturity Date"). At the time Maker exercises the

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option to extend the term of this Note for the First Extension Period, it shall pay Payee a non-refundable fee of \$18,500.00.

(c) If, as of the date of the notice of Maker referred to in this PARAGRAPH and the Second Maturity Date, (w) the Acme Lease is in Full Force and Effect (as hereinafter defined), the tenant under the Acme Lease then has a credit rating of BBB or better (as established by Standard & Poors), and no breach of the Acme Operating Requirement is then continuing, (x) no Event of Default is then continuing, (y) the Appraised Value of the Mortgaged Premises equals or exceeds one hundred and fifty four percent (154%) of the aggregate of the then outstanding principal sum of Note and amounts which may thereafter be advanced hereunder, and (z) the ratio of Net Operating Income to Projected Debt Service Coverage is 1.40:1 or greater (assuming for the purposes of this clause (z) that the then Maturity Date was an Accounting Date (as such term is hereinafter defined), then the Maker, by written notice to Payee not later than thirty (30) days prior to the Second Maturity Date and not earlier than six (6) months prior to such date, shall have the option to extend the maturity of the Loan for one (1) year (the "Second Extension Period") to March 1, 2005 (the "Final Maturity Date"). At the time Maker exercises the option to extend the term of this Note for the Second Extension Period, it shall pay Payee a non-refundable fee of \$18,500.00.

### 4. Selection of Rate.

(a) Except as provided in PARAGRAPHS 4(b), 4(d), 4(e) and 15, the outstanding Principal Sum shall bear interest at a rate per annum equal to the Prime Rate plus the Applicable Spread.

(b) Provided there is no Default and/or Event of Default under this Note, the Security Document(s) or any other document or instrument delivered as additional security for this Note, Maker may elect to pay interest on the entire or any portion of the outstanding Principal Sum (subject to the minimum amount limitations set forth herein and the requirements set forth below) at a rate per annum equal to the LIBOR Rate plus the Applicable Spread for the Interest Period elected by Maker from (and including) the first day of each Interest Period to (but not including) the last day of such Interest Period. Maker shall, subject to delivery by it of a Fixed Rate Acceptance Notice, elect that the entire or any portion of the outstanding Principal Sum be treated as a LIBOR Advance pursuant to a Fixed Rate Notice. Payee must receive such Fixed Rate Notice prior to 11:00 A.M., New York City time, on a Business Day at least three (3) Business Days prior to:

(1) the last day of an Interest Period (in the case of an outstanding LIBOR Advance); or

(2) any Business Day elected by Maker in its Fixed Rate Notice (in the case of a conversion of a Prime Rate Advance to a LIBOR Advance) for the commencement of the applicable Interest Period.

If Maker fails to give a Fixed Rate Notice at least three (3) Business Days prior to the end of an Interest Period, then, on the last day of the Interest Period, the outstanding LIBOR Advance shall convert to a Prime Rate Advance. On the date specified in the Fixed Rate Notice as the date on

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which the applicable Interest Period is to begin, Payee shall notify Maker's Authorized Representative by telephone (such notice to be promptly confirmed in writing) or by telex, which notice shall specify the date, the proposed LIBOR Rate and the period of time on such date during which such rate is to be available. If Payee fails to specify the period for which such quoted rate is available, then such rate shall be deemed to be available only for thirty minutes from the time Payee, orally or in writing, notifies Maker's Authorized Representative of such rate. If Maker then wishes to obtain such Loan at such LIBOR Rate, it shall promptly give notice to Payee to such effect (the "Fixed Rate Acceptance Notice"), which notice shall be irrevocable and may be by telephone, promptly confirmed in writing.

(c) Without in any way limiting Maker's obligation to confirm in writing any telephonic Fixed Rate Notice or Fixed Rate Acceptance Notice, Payee may, prior to receipt of written confirmation, act without liability on the basis of telephonic notice which it believes in good faith to be from Maker and, in any event, Payee may act without liability on the basis of telephonic or written notice which it believes in good faith to be from Maker.

(d) Subject to the provisions of PARAGRAPH 4(e), the Applicable Spread shall be equal to one hundred seventy-five basis points (1.75%), in the case of a LIBOR Advance, and fifty basis points (.50%), in the case of a Prime Rate Advance; provided, however, that during any period(s) from the date hereof through March 31, 2000 that the aggregate LIBOR Advances and Prime Rate Advances are in an amount equal to or less than \$5,757,500.00, the Applicable Spread for such period(s) shall be equal to one hundred fifty basis points (1.50%), in the case of LIBOR Advances, and forty-five basis points (45%), in the case of Prime Rate Advances.

(e) (1) Within fifteen (15) days after the end of each Spread Accounting Period, commencing with the Spread Accounting Period ending March 31, 2000, Maker shall furnish to Payee detailed calculations of annualized Net Operating Income for the three month period then ended upon which recalculation of the Applicable Spread, in accordance with the provisions of this PARAGRAPH 4(e), is to be determined, certified by an officer of a manager of Maker as being, to the best of the knowledge of the officer making the certification, true and correct and as having been prepared under his supervision in accordance with the Accounting Principles consistently applied and with the definition of Net Operating Income and further certified by such officer that, to the best of his knowledge, he knows of no facts inconsistent with such calculations.

(2) Effective as of and during the Spread Accounting Period which immediately succeeds the Spread Accounting Period most recently ended, if (x) the annualized Net Operating Income of the Mortgaged Premises for the Spread Accounting Period most recently ended shall be equal to or greater than 1.60 times the Projected Debt Service Expense for the immediately following twelve month period and (y) if the outstanding Principal Sum of the Loan plus the amount of the Loan then available shall not exceed fifty (50%) percent of the Appraised Value of the Mortgaged Premises, then the Applicable Spread (during the Spread Accounting Period which immediately succeeds the Spread Accounting Period most recently ended) shall be equal to one hundred fifty basis points (1.50%), in the case of LIBOR Advances, and forty-five basis points (45%), in the case of Prime Rate Advances.

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(3) If Maker shall satisfy one but not both of the conditions set forth in subparagraph (2) above or Maker shall fail to timely deliver the detailed calculations required by PARAGRAPH 4(e)(1), then the Applicable Spread shall remain as provided in PARAGRAPH 4(d).

5. Conditions to Additional Advances. Maker shall have the option, subject to the terms and conditions of this Note, of requesting from Payee additional advances (each, an "Additional Advance") on the Loan, with each Additional Advance to be in the minimum amount of \$200,000 plus \$50,000 increments, but in no event may the Principal Sum outstanding at any time exceed \$7,400,000 less any payments of principal made pursuant to PARAGRAPH 2(a) of this Note. The obligation of Payee to make Additional Advances hereunder is subject to the satisfaction of each of the following conditions precedent:

(a) An Authorized Representative shall give Payee at least five (5) Business Days prior written notice, specifying the date of the proposed borrowing. Any such notice, which is oral, shall promptly be confirmed in writing signed by an Authorized Representative and delivered to Payee. Payee may rely on any oral or written request for a Loan, which Payee believes to be genuine, and shall be fully protected in doing so without any requirement to make further inquiry.

(b) After giving effect to the Additional Advance, there shall exist no Default and/or Event of Default, including, without limitation, no Default and/or Event of Default under PARAGRAPHS I (a)(1) or (2) of this Note and, for this purpose, compliance with such covenants shall, prior to the making of the proposed Additional Advance, be recalculated (using the most recently available Appraised Value and Net Operating Income) as if the Additional Advance has been made.

(c) All representations and warranties contained herein, or otherwise made in writing in connection herewith or in any of the Security Documents, by or on behalf of Maker or any other Person to Payee, shall be true and correct, in all respects, with the same force and effect as if made on and as of the date of the Additional Advance.

(d) There shall be no then continuing violation of the Acme Operating Requirement.

(e) If reasonably requested by Payee, Payee shall have received an endorsement to its existing title insurance policy insuring the Mortgage to be a first lien, securing the Loan (including the Additional Advance), against the Mortgaged Premises, subject only to those matters which have been approved by Payee and its counsel.

#### 6. Intentionally Deleted

7. Payment of Interest on and Number of LIBOR Advances. If a LIBOR Advance is outstanding, then in addition to the monthly payments of interest required under PARAGRAPH 2(b) hereof, all accrued and unpaid interest, if any, on such LIBOR Advance shall be due and payable on the last day of the Interest Period. In no event may there be more than three (3) Interest Periods

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in effect at any one time, and the entire Principal Sum outstanding need not bear interest at the same Applicable Rate.

8. Suspension of the LIBOR. If Payee determines that Payee's making or maintaining LIBOR Advances is unlawful for any reason, then Payee may suspend the availability of the LIBOR Rate and immediately convert any outstanding LIBOR Advance to a Prime Rate Advance. Payee shall immediately notify Maker of any such conversion and Maker shall pay to Payee, on demand, (i) all accrued and unpaid interest on the LIBOR Advance to the date of such conversion, plus (ii) such amounts as Payee shall require to compensate it for the costs of converting any such LIBOR Advance to a Prime Rate Advance. The certificate of Payee as to any amounts payable pursuant to this PARAGRAPH shall, absent manifest error, be final, conclusive and binding on Maker. No Fixed Rate Notices electing the LIBOR Rate shall be given by Maker thereafter until Payee determines that LIBOR Advances would be lawful.

9. Increases in Cost. In the event that at any time or from time to time any domestic or foreign requirement of law, regulation, order or decree or any change therein or in the interpretation or application thereof or compliance by Payee with any request or directive (whether or not having the force of law) from any governmental, fiscal, monetary or other authority (i) does or shall subject Payee to any tax, duty, charge or withholding on or from payments due from Maker (excluding taxation of the income of Payee); or (ii) does or shall impose, modify or hold applicable or change any reserve (including, without limitation, basic, supplemental, marginal, special or emergency reserves but not including reserve requirements already taken into account in calculating the LIBOR Rate), special deposit, compulsory deposit or similar requirement with respect to assets of, deposits with or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by Payee; or (iii) does or shall impose on Payee any other condition or change therein and the result of any of the foregoing is to increase the cost to Payee of making available to Maker, converting from or to, or maintaining LIBOR Advances, then, and in any such event, Payee shall notify Maker in writing of such occurrence setting forth in reasonable detail the basis for and amounts of such increased costs, and Maker shall pay to Payee, on demand, such amounts as will compensate Payee for such increased costs. The certificate of Payee as to any amounts payable pursuant to this PARAGRAPH shall, absent manifest error, be final, conclusive and binding on Maker.

10. Prepayment.

(a) On any Business Day during the term hereof that the Applicable Rate is based upon the Prime Rate or on a date which is the last day of an Interest Period, upon not less than five (5) days written notice to Payee specifying the date on which prepayment is to be made, Maker shall have the privilege of prepaying, without payment of a premium or penalty, that portion of the unpaid balance of the Principal Sum, in whole or in part, as to which the Applicable Rate is based upon the Prime Rate or as to which an Interest Period is ending, which parts shall be in integral multiples of \$50,000 together with all accrued and unpaid interest on the Principal Sum so prepaid to the date of prepayment, and together also with accrued and unpaid interest or other sums or charges, if any, then due and owing hereunder or under the Security Document(s), provided that any such prepayment shall be in a minimum amount of not less than \$200,000.

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(b) (1) At any time during the term hereof that the Applicable Rate is based upon the LIBOR Rate upon not less than five (5) days prior written notice to Payee (which notice shall be irrevocable), Maker shall have the privilege of prepaying the unpaid balance of the Principal Sum, in whole or in part, which parts shall be in integral multiples of \$50,000, prior to the last day of an Interest Period upon the required notice as aforesaid, provided that any such prepayment shall be in a minimum amount of not less than \$200,000 and provided further that in addition to the payment of the whole or portion of the Principal Sum so to be prepaid, all accrued and unpaid interest thereon and all other sums due hereunder or under the Security Document(s), Maker shall pay Payee such amount or amounts as shall be sufficient (in the reasonable opinion of Payee) to compensate Payee for any loss, costs or expenses Payee incurs with respect to the termination of any LIBOR contract and/or Hedge Agreement (as such term is defined in the Mortgage) that Payee or its designee has entered into to borrow funds in order to fund the Loan plus a prepayment premium calculated in accordance with the following formula:

(a) - Upon prepayment, Payee shall determine whether there is a fixed rate yield maintenance premium due by subtracting the Redemption Treasury Rate from the Fixed Funds Rate (as such terms are defined below). If the Redemption Treasury Rate is equal to or greater than the Fixed Funds Rate, no fixed rate yield maintenance premium will be due.

(b) However, if the Redemption Treasury Rate is less than the Fixed Funds Rate, a fixed rate yield maintenance premium will be computed by Payee as follows:

$$(F-R) \times P \times D$$

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(c) Payee shall discount (at the Redemption Treasury) the resulting number to the net present value thereof, i.e., as if such sum were received in equal monthly installments from the date of prepayment to the Maturity Date. To determine present value, the discount rate shall be calculated on the basis of a three hundred sixty-five--(365) day year.

(d) For purposes of computing the fixed rate yield maintenance premium, the following definitions govern:

- "F" or "Fixed Funds Rate" means the LIBOR Rate applicable to the Loan being repaid plus the Applicable Spread.
- "R" or "Redemption Treasury Rate" means at the time of prepayment, the rate of interest per annum equal to the most recently published quotations of yields to maturity of U.S. Treasury obligations (bills on a discounted basis shall be converted to a bond equivalent), as published weekly by the Federal Reserve Board in the Federal Reserve Statistical release, trading closest to par value and with a maturity date comparable to the end of the applicable Interest Period.

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-- "P" means the amount of the Loan being prepaid.

-- "D" means the number of days remaining until the end of the applicable Interest Period.

(e) Any payment required of Maker of the Principal Sum or any portion thereof after acceleration of the Maturity Date pursuant to any provisions hereof or of the Security Document(s) shall be deemed a voluntary prepayment for the purposes hereof, and if a LIBOR Advance is then outstanding, Maker shall be required, on demand, to pay the prepayment premium, if any, calculated as aforesaid.

(c) Any payments of the Principal Sum received by Payee pursuant to the terms of this PARAGRAPH 10 shall be applied in the following order of priority: (i) first, to any accrued interest which is due and unpaid as of the date of such payment; and (ii) second, to the outstanding Principal Sum in the inverse order of maturity.

(d) Notwithstanding anything in this Note to the contrary, the Loans hereunder are revolving loans. Therefore, Maker may, subject to the other provisions of this Note, borrow, repay and reborrow hereunder.

#### 11. Special Covenants.

(a) Maker hereby covenants as follows:

(1) As of December 31, 2000 and as of each subsequent December 31, the outstanding Principal Sum of the Loan plus the amount of the Loan then available shall not exceed sixty-five (65%) percent of the Appraised Value of the Mortgaged Premises; and

(2) as of June 30, 2000, and each subsequent December 31 and June 30 (the "Accounting Date"), the Net Operating Income of the Mortgaged Premises for each Accounting Period shall equal or exceed 1.4 times the Projected Debt Service Expense for the immediately following twelve month period.

(b) Within ninety (90) days after the Accounting Date, Maker shall furnish to Payee detailed calculations of Net Operating Income and Projected Debt Service Expense for the current Accounting Period and upon which satisfaction of the provisions of PARAGRAPH 11 (a) (2) are to be determined, and certified as true and accurate, in a manner acceptable to Payee, by the chief financial officer of the Guarantor as having been prepared under his supervision in accordance with the Accounting Principles consistently applied and with the

definitions of Net Operating Income and Projected Debt Service Expense and that he knows of no facts inconsistent with such calculations.

(c) "Accounting Period" - shall mean the twelve month period consisting of the six month period immediately preceding the Accounting Date and the six month period including and immediately succeeding the Accounting Date.

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12. Leasing Standards. Maker covenants and agrees that no Space Lease (as such term is defined in the Mortgage) will be consummated without the prior written approval thereof by Payee, unless such Space Lease (i) is prepared and executed on a commercially reasonable lease form submitted to and approved, in writing, by Payee, with such approval not to be unreasonably withheld or delayed, and Payee's approval of immaterial changes to the form approved by Payee shall not be required; and (ii) (x) provides for terms and conditions, including as to rentals and other economic terms and the creditworthiness of the tenant, which are approved by Payee, with such approval not to be unreasonably withheld or delayed, or (y) is of less than 5,000 rentable square feet and is on commercially reasonable terms and conditions, including as to rentals and other economic terms and creditworthiness of the tenant. Notwithstanding the foregoing, if a Default and/or Event of Default shall be continuing, Maker will not enter into Space Leases without Maker's prior written approval thereof, which approval Payee may withhold in its sole discretion.

13. Distributions. During the continuance of an Event of Default, Maker shall be prohibited from making distributions to its members, and if no Events of Default exist Maker may make distributions to its members.

14. Events of Default. The occurrence of any one or more of the following events shall constitute an event of default (an "Event of Default") hereunder and under the Security Documents:

(a) failure of Maker (x) to pay, for a period of ten (10) days after the same becomes due (i) any installment of interest and/or principal under this Note, or (ii) any other payment required hereunder or under any of the other Security Documents or under any supplement, modification or extension hereof or thereof, or (y) to pay the final principal balance of this Note when due, whether upon the stated maturity date set forth therein, upon acceleration of such Principal Sum or otherwise, together with accrued and unpaid interest thereon; or

(b) if any of Maker's representations or warranties contained herein or in any of the Security Documents shall be untrue or incorrect in any respect at the time made, or if any such warranty or representation intended to be a continuing one shall become untrue or incorrect in any material respect and Maker shall fail to remedy such situation within thirty (30) days after notice from Payee (or immediately upon notice in case of emergency); or

(c) if Maker shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Maker and the petition is not controverted within thirty (30) days, or is not dismissed within ninety, (90) days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of Maker; or Maker commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Maker or there is commenced against Maker any such proceeding which remains undismissed for a period of ninety (90) days; or Maker is adjudicated insolvent or bankrupt; or any order of relief of other order approving any such case or proceeding is entered; or Maker suffers any appointment of any custodian or the like for it or any

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substantial part of its property to continue undischarged or unstayed for a



period of ninety (90) days; or Maker makes a general assignment for the benefit of creditors; or Maker shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or Maker shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or

(d) if any execution, warrant, attachment, garnishment or other similar processes shall be levied or filed against the Mortgaged Premises or any part thereof, or against Maker which involve claims aggregating more than \$100,000 and such processes shall not be stayed, vacated or discharged, such as by bonding, within ninety (90) days after the same shall have been levied or filed; or

(e) except as otherwise provided in PARAGRAPH 14(i) below, if Maker shall fail to perform or observe, or cause to be performed or observed, any other term, obligation, covenant, condition or agreement contained in this Note or in any of the Security Documents, or in any assignment of leases and rents or in any other instrument executed concurrently herewith by Maker and/or Guarantor or supplemental hereto, pertaining to the debt evidenced by this Note or the security therefor, or under any supplement, modification or extension of any of the foregoing, on its part to be performed and such failure shall have continued for a period of thirty (30) days after notice thereof; provided, however, if such default shall not have been occasioned by any willful act of Maker, and if such default cannot with due diligence be cured within such thirty (30) days period, the time within which to cure the same shall be extended for such period as may be necessary to cure the same with due diligence if Maker commences within such thirty (30) days and proceeds diligently to cure the same; or

(f) (i) if Acadia ceases, directly or indirectly (x) to own at least fifty-five percent (55%) of the issued and outstanding equity interests in Maker or (y) to control (i.e., power to direct or cause the direction of the management and policies of a person, corporation, partnership or other entity) Guarantor or Maker or (ii) if there is a Change in Control; or

(g) if there should occur a default which is not cured within the applicable grace or cure period, if any, under any mortgage or deed of trust of all or part of the Mortgaged Premises (as such term is defined in the Mortgage), including a mortgage or deed of trust held by Payee, regardless of whether any such other mortgage or deed of trust is superior, subordinate, or collateral to the Mortgage; it being further agreed by Maker that an Event of Default shall constitute an "Event of Default" under any such other mortgage or deed of trust held by Payee; provided, however, that this provision shall not be construed as Payee's consent to any such mortgage or deed of trust; or

(h) if any "Event of Default" (as such term is defined in any Security Document) shall occur; or

(i) if Maker shall default in the performance of any covenant set forth in PARAGRAPH 11 (a)(1) or (2) of this Note and such default shall continue for forty-five (45) days after written notice thereof by Payee to Maker; provided, however, that Maker shall be allowed to cure such a default by, within such forty-five (45) day period, pledging additional collateral or making reductions in the outstanding Principal Sum of the Loan or fixing the interest rate pursuant and subject to all

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of the terms and conditions of this Note that, in such event, would bring the Appraised Value of the Mortgaged Premises and/or the Net Operating Income of the Mortgaged Premises into compliance with such covenants; any such collateral so pledged must be satisfactory, both as to type and character of the collateral and as to the pledgor, to Payee in its sole discretion and accompanied by such supporting documents, financial statements and opinions of counsel as Payee may require; or

(j) if, as of December 31, 1999 or June 30, 2000 or any subsequent June 30 or December 31, the Net Worth of Acadia shall be less than \$50,000,000;

(k) if, as of December 31, 1999 or June 30, 2000 or any subsequent June 30 or December 31, the Liquid Net Worth of Acadia shall be less

than \$3,000,000; or

(1) if there shall be an acceleration upon default of any other loan made or held by Payee to a borrower controlled by Acadia, including, without limitation, that certain mortgage loan and letter of credit facility made by Fleet Bank, National Association to Acadia Town Line, LLC, secured by a portion of the Town Line Shopping Center, 80 Town Line Road, Rocky Hill, Connecticut.

15. Involuntary Rate. Overdue principal and, to the extent permitted by law, overdue interest and all other overdue amounts owing hereunder, whether at maturity, upon acceleration or otherwise, shall bear interest for each day that such amounts are overdue (whether or not any required notice of default shall have been given) at a rate per annum equal to five percent (5%) per annum in excess of the Prime Rate in effect from time to time; provided, however, that no overdue principal shall bear interest at a rate per annum less than five percent (5%) in excess of the rate of interest applicable thereto immediately prior to maturity (such rate, the "Involuntary Rate"). Interest shall continue to accrue at the Involuntary Rate upon maturity of this Note, whether by expiration of its term, acceleration or otherwise, until this Note is paid in full, including the period following entry of any judgment on or relating to this Note or the Security Documents. Interest on any such judgment shall accrue and be payable at the Involuntary Rate, and not at the statutory rate of interest, after judgment, any execution thereon, and until actual receipt by Payee of payment in full of this Note and said judgment. Interest at the Involuntary Rate shall be collectible as part of any judgment hereunder and shall be secured by the Mortgage and the other Security Documents. Payee's right to receive interest at the Involuntary Rate shall be in addition to all other rights and remedies provided herein or by law for the benefit of the holder hereof upon a default; and the acceptance of the same by the holder hereof shall not restrict such holder in any respect in the exercise of any other or further right or remedy, nor shall the same be deemed to be, as to the holder hereof, a waiver or release of Maker from any of its obligations herein contained or constitute an extension of the time for payments due hereunder.

16. Security. This Note is secured by the Mortgage and all documents, agreements, hazardous substance indemnities or guaranties made by Maker and/or Guarantor and now or hereafter delivered in connection with or securing this Note, including the Mortgage, that certain Loan Guaranty of even date herewith made by Guarantor to and in favor of Payee and that certain Hazardous Substance Indemnity of even date herewith made by Guarantor and Maker to and in favor of Payee, are collectively (including any amendment, modification, extension or renewal thereof now or hereafter executed in

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connection therewith or herewith) referred to herein as the "Security Document(s)." This Note is entitled to the benefits of the Security Documents.

17. Acceleration. It is hereby expressly agreed that the entire unpaid balance of the Principal Sum shall, at the option of the holder hereof and upon such notice as may be required by this Note or by the Mortgage, become immediately due and payable without necessity for presentment and demand, notice of protest, demand and dishonor or nonpayment of this Note, all of which are hereby expressly waived, upon the happening of any Event of Default or any event by which, under the terms of the Security Document(s), said unpaid balance may or shall become due and payable. Failure to exercise any such option at any time shall not constitute a waiver of the right of the holder hereof to exercise the same in the event of any subsequent default or acceleration event.

18. Notices. Except as otherwise provided herein, any notice to be given hereunder shall be in writing and shall be either delivered or sent by first-class registered or certified mail, return receipt requested postage prepaid, addressed (a) if to Maker, to Maker's address set forth on the signature page or (b) if to Payee, at Payee's address set forth above, Attention: Denise Smyth, or, as to any party, at such other address as shall be designated by such party by notice to the other party given in the manner set forth in this PARAGRAPH and each such notice shall be effective (i) if delivered by hand, at the time of delivery to the address specified in this PARAGRAPH, or (ii) if given by mail, on the fourth Business Day following the time of mailing in the manner aforesaid, or (iii) on the Business Day immediately following the

delivery of such notice to an overnight delivery service.

19. Funding Sources. Nothing contained herein shall be deemed to obligate Payee to fund advances hereunder in any particular place or manner; and nothing contained herein shall be deemed to constitute a representation by Payee that it has funded or will fund advances in any particular place or manner.

20. Taxes and Attorney's Fees. Maker shall pay to Payee, immediately upon demand, any and all taxes assessed against Payee by reason of its holding of this Note and the receipt by it of interest payments hereunder (other than income, franchise and other similar taxes assessed by the United States Government, any state or any political subdivision of either thereof on such interest payments), and any and all other sums and charges that may at any time become due and payable under the Security Document(s). Maker also promises to pay, on demand, all costs, title insurance premiums, mortgage recording taxes, disbursements and reasonable attorney's fees (including allocated costs of internal counsel of Payee) and disbursements incurred in connection with the negotiation, preparation, and execution of this Note and/or the Security Documents and any other documents and instruments prepared in connection herewith or therewith and the consummation of the transactions contemplated hereby or thereby and the administration of this Loan and in the preservation of rights under, enforcement of, this Note and the Security Document(s), any modification, amendment, or consent related thereto and in any suit, action or proceeding to protect or sustain the security interest of the holder of the Security Document(s) and any refinancing or renegotiation of this Note and the Security Document(s).

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21. No Partnership or Joint Venture. Nothing contained in this Note or elsewhere shall be deemed or construed as creating a partnership or joint venture between Payee and Maker or between Payee and any other person, or cause the holder hereof to be responsible in any way for the debts or obligations of Maker or any other person.

22. Waiver. Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, Payee may extend the Maturity Date or the time for payment of any amount due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note without in any other way affecting the liability and obligation of Maker or any other Person. Maker further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, under the Security Document(s), or on any guaranty or other agreement now or hereafter securing this Note.

23. Interest Rate Limitation. Notwithstanding anything contained herein to the contrary, the holder hereof shall never be entitled to receive, collect or apply as interest on the obligation evidenced hereby any amount in excess of the maximum rate of interest permitted to be charged by applicable law; and in the event the holder hereof ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the Principal Sum; and if the Principal Sum is paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether the interest paid or payable in any specific case exceeds the highest lawful rate, the holder hereof and Maker shall to the maximum extent permitted under applicable law (i) characterize any non-principal payment as an expense, fee or premium rather than as interest; (ii) exclude voluntary prepayments and the effects thereof; and (iii) "spread" the total amount of interest throughout the entire contemplated term of the obligation so that the interest rate is uniform throughout said entire term.

24. Severability. Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provision hereof, which terms and provisions shall remain binding and

enforceable.

25. Number and Gender. In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa, if the context so requires.

26. Headings. Headings at the beginning of each numbered paragraph of this Note are intended solely for convenience of reference and are not to be deemed or construed to be a part of this Note.

27. Governing Law; Submission to Jurisdiction; Waivers, Etc.

(a) This Note, which, together with the Security Documents, sets forth the entire understanding of Maker and Payee with respect to the subject matter hereof, shall be

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governed by and construed and enforced in accordance with the laws (without giving effect to the conflict of law principals thereof) of the State of New York.

(b) Any legal action or proceeding with respect to this Note or any of the Security Documents may be brought in the courts of the State of New York or the State of New Jersey or, if the requisites of jurisdiction obtain, of the United States of America for the Southern or Eastern District of New York or the District of New Jersey, and, by execution and delivery hereof, Maker hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Nothing herein, however, shall affect the right of Payee to commence legal proceedings or otherwise proceed against Maker in any other jurisdiction. Maker also waives (a) the right to trial by jury in the event of any litigation to which Payee and Maker are parties in respect of any matter arising under this Note or any of the Security Documents, whether or not such litigation has been commenced in respect of this Note and whether or not other persons are also parties thereto, (b) any claim that New York or Nassau County or the District of New Jersey or any such District is an inconvenient forum and (c) any claim against Payee for consequential, special or punitive damages respecting the Security Documents. Acceptance of this Note by Payee shall be deemed to constitute a waiver by Payee of the right to trial by jury in the event of any litigation in respect of which Maker has waived the right to trial by jury hereunder.

(c) No delay on the part of Payee in exercising any of its options, powers or rights, or partial or single exercise thereof, whether arising hereunder, under the Security Documents or otherwise, shall constitute a waiver thereof or affect any right hereunder or thereunder. No waiver of any of such rights and no modification, amendment or discharge of this Note shall be deemed to be made unless the same shall be in writing, duly signed by Payee and Maker. Each such waiver (if any) shall apply only with respect to the specific instance involved and shall in no way impair the rights of Payee or the obligations of Maker hereunder in any other respect at any other time.

28. Brokerage. Payee and Maker each hereby represents to the other that it did not deal with any broker or similar person in connection with this financing.

29. Set-off. Maker hereby grants to Payee, a lien, security interest and right of setoff as security for all liabilities and obligations to Payee, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Payee or any entity under the control of FleetBoston Financial Group, Inc., or in transit to any of them. At any time after an event of default, without demand or notice, Payee may set off the same or any part thereof and apply the same to any liability or obligation of Maker even though unmaturing and regardless of the adequacy of any other collateral securing the Loan. ANY AND ALL RIGHTS TO REQUIRE PAYEE TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOAN, PRIOR TO EXERCISING ITS RIGHTS OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF MAKER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

30. Limitation on Liability. Notwithstanding anything to the

contrary herein or in any of the Security Documents, Payee agrees that, for payment of this Note and any sums

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owing by Maker under the Security Documents, it will look solely to the assets of Maker and no property or assets of any of Maker's members shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee or for any payment required to be made under the Note or for any of the covenants or warranties contained herein; provided that the foregoing provisions of this PARAGRAPH shall not (i) constitute a waiver of any obligation evidenced by this Note, (ii) limit the right of Payee to name Maker as a party defendant in any action or suit for judicial foreclosure and sale under the Mortgage, (iii) affect in any way the validity of, or the rights of Payee with respect to, any guaranty or indemnity agreement given in connection with the loan evidenced hereby, (iv) be applicable to the responsible Person in the event of and to the extent of fraud, misappropriation of funds or other property, or damage to any of the Mortgaged Premises or any other collateral securing this Note or any part thereof intentionally inflicted in bad faith by Maker or any partner, principal, shareholder, officer, director, agent or employee of Maker or any partner or principal of any of the foregoing or (v) be applicable to the liability arising in respect of hazardous materials.

31. Late Charge

If any installment of interest and/or principal, including the final payment due on the Maturity Date, shall not be paid within ten (10) days after it is due hereunder (whether by acceleration or otherwise), then and in each such event, all such past-due amounts shall be subject to a late penalty, payable on demand, of five cents (\$.05) on every dollar (\$1.00) not so paid (the "Late Charge"). Such Late Charge shall be in addition to the other interest due thereon and in addition to all other rights and remedies provided herein or by law for the benefit of the holder hereof upon a default; and the acceptance of the same by the holder hereof shall not restrict such holder in any respect in the exercise of any other or further such right or remedy, nor shall the same be deemed to be, as to the holder hereof, a waiver or release of Maker from any of its obligations herein contained or constitute an extension of the time for payments due hereunder.

32. Miscellaneous. (a) This Note may not be changed orally but only by an agreement in writing signed by Maker and Payee.

(b) 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 attorney's for collection upon default, Maker agrees to pay, in addition to the principal, interest and others sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorney's fees and expenses.

(c) Payee reserves the right to assign the Loan and/or to sell participations in the Loan and Maker and Guarantor agree that their financial statements and other financial information submitted to Payee may be distributed to potential assignees and/or participants. In addition to the other assignment rights provided in this Note, Payee may at any time pledge all or any portion of its rights under the Security Documents including any portion of this Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release Payee from its obligations under any of the Security Documents.

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(d) This Note may be signed in counterparts-

33. Replacement Documents. Upon receipt of an affidavit of an officer of Payee as to the loss, theft, destruction or mutilation of this Note or any other Security Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon cancellation of this Note or such other Security Document, Maker will issue, in lieu thereof, a

replacement Note or such other Security Document in the same principal amount thereof and otherwise of like tenor.

IN WITNESS WHEREOF, Maker and Payee have executed and delivered this Note on the day and year first above written.

Address of Maker:

20 Soundview Marketplace  
Port Washington, New York 11050

RD ABSECON ASSOCIATES, L.P.

By: RD Absecon, Inc., its  
general partner

By: \_\_\_\_\_  
Robert Masters, Senior Vice President

Witness:

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Agreed and Accepted:

FLEET BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name:  
Title:

MORTGAGE NOTE

Date of Note: November 22, 1999

Amount of Note: \$5,000,000.00

Maturity Date: December 1, 2002 (the "Initial Maturity Date"), provided, however, the Maker may extend the time to repay the Amount of the Note to December 1, 2005 (the "Extended Maturity Date") upon the following conditions (the "Conditions"): (1) The Maker shall send written notice to the Bank of its intention to extend the term of this Note at least 90 days before the Initial Maturity Date (the "Election Date") , (2) The Maker is not then in default under this Note, the Mortgage or any other documents executed in connection with the loan evidenced hereby, (3) if required by the Bank, updated title work to confirm that there have been no changes to title to the Premises, as defined below, or additional encumbrances, (4) the payment history and financial condition of the Maker being satisfactory to the Bank in its sole discretion, (5) maintenance of a Debt Service Coverage Ratio of at least 1.5 to 1.0 based on then current leases covering the Premises (Debt Service Coverage Ratio shall mean the annual Net Operating Income divided by total principal and interest payments made or scheduled to be made under this Note during such fiscal year. Net Operating Income means, for each fiscal year, the total base rental income plus tenant reimbursement income less all operating expenses excluding depreciation, income taxes and principal and interest payments made or scheduled to be made under this Note during such fiscal year), (6) a maximum loan to value ratio of 65%, as determined by the Bank in its sole discretion, based upon leases then in effect or, if required by law or regulation, a current appraisal at the Maker's expense, (7) The Maker pays to the Bank an extension fee of one half of one percent of the principal Amount of the Note outstanding on the Initial Maturity Date, one-half of which shall be payable on the Election Date and one-half of which shall be payable on the Initial Maturity Date, and (8) the Maker delivers such other documents, certificates, consents and information as the Bank and its counsel may require.

Interest Rate; For the First Interest Period, as defined below, the Interest Rate is 7.75% per annum. For the Second Interest Period, as defined below, the Interest Rate is a rate per annum fixed on the third day prior to the Initial Maturity Date (the "Determination Date") equal to 1.85% per annum in excess of the Three Year Treasury Index, as hereinafter defined, in effect on the Determination Date. "Three Year Treasury Index" means a rate per annum equal to the weekly average yield on United States Treasury securities adjusted to a constant maturity of three (3) years using the most recent rate reported by the Bank.

FOR VALUE RECEIVED, the undersigned (the "Maker"), having the address as indicated under its name, hereby promises to pay on the Maturity Date to the order of NORTH FORK BANK (the "Bank") at its offices at 275 Broad Hollow Road, Melville, New York or at such other place as the holder hereof may from time to time designate in writing, in immediately available New York funds, the Amount of Note together with interest on the Amount of Note at the Interest Rate (computed on an actual/360 day basis, i.e., interest for each day during which

any of the Amount of Note is outstanding shall be computed at the Interest Rate divided by 360) as follows:

(i) a payment of interest for the period from the date hereof to December 1, 1999, payable on November 22, 1999 in the amount of \$9,687.50;

(ii) for the period from December 1, 1999 to and including the Initial Maturity Date, a combined constant scheduled monthly payment of principal and interest equal to \$37,796.44, commencing on January 1, 2000 and on the first day of each month thereafter and, in the event the Maker fails to satisfy the conditions, a final payment on the Initial Maturity Date of the balance of the amount of the Note together with accrued interest (such period, from the date hereof to the Initial Maturity Date, the "First Interest Period");

(iii) provided the Maker satisfies the Conditions, for the period from the Initial Maturity Date to the Extended Maturity Date (the "Second Interest Period"), a combined monthly payment of principal and interest equal to a combined constant monthly payment of principal and interest at the Interest Rate which would fully amortize the Amount of the Note, as of the commencement of the Second Interest Period, over a period of 264 months and a final payment on the Extended Maturity Date of the balance of the Amount of Note together with accrued interest.

Each monthly installment shall be applied first to interest on the principal outstanding and the balance of each monthly installment shall be applied on account of principal. All payments shall be made by automatic debit from an account maintained at the Bank in which Maker shall maintain balances sufficient to pay the monthly payments (Account #4424006452). A late payment of 4% of any principal or interest payment not made on the date it is due shall be due with any such late payment.

It is expressly agreed that the fees and expenses of the Bank including reasonable attorney's fees and disbursements of the Bank's counsel in preparing, executing, delivering, or recording any documents or instruments related to any extension of the time for repayment of the Amount of Note to the Extended Maturity Date and in connection with any title company searches and insurance which the Bank may then require shall be paid by the Maker upon satisfaction of the Conditions.

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This Note is secured by, among other things, a leasehold mortgage and security agreement of even date herewith (the "Mortgage") and an assignment of lessor's interest in leases (the "Assignment") made by the Maker to the Bank encumbering, among other things, the Premises more particularly described in the Mortgage; all of the covenants, conditions and agreements of the Mortgage are made a part hereof by this reference.

It is expressly agreed that, upon the failure of the Maker timely to make any payment due hereunder after any applicable grace period or upon the happening of any "Event of Default" under the Mortgage, the principal sum hereof, or so much thereof as may be outstanding, together with accrued interest and all other expenses, payable by The Maker under the Mortgage, including, but not limited to reasonable attorneys, fees for legal services incurred by the holder hereof in collecting or enforcing payment hereof whether or not suit is brought, and if suit is brought, then through all appellate actions, shall immediately become due and payable at the option of the holder of the Note, notwithstanding the Maturity Date set forth herein. Upon the stated or accelerated maturity of this Note, the Maker agrees that this Note shall bear interest at a per annum rate of 24% until the principal is fully paid.

Notwithstanding anything to the contrary contained in this Note, the rate of interest payable on this Note shall never exceed the maximum rate of interest permitted under applicable law. If at any time the rate of interest otherwise prescribed herein shall exceed such maximum rate, and such prescribed rate is thereafter below such maximum rate, the prescribed rate shall be increased to the maximum rate for such period of time as is required so that the total amount of interest received by the Bank is that which would have been received by the Bank, except for the operation of the first sentence hereof.

The Maker may prepay this Note in full or in part without premium or penalty (\$100,000.00 minimum or integral multiples thereof) at any time upon 10



days written notice to the Bank provided that any prepayment shall be accompanied by accrued interest computed to the last day of the month in which prepayment is made on the amount of principal so prepaid. Each prepayment shall be made together with accrued interest thereon to and including the date of prepayment and partial prepayments shall be applied to principal in inverse order of maturity.

The Maker agrees that it shall be bound by any agreement extending the time or modifying the above terms of payment, made by the Bank and the owner or owners of the Premises, whether with or without notice to the Maker, and the maker shall continue to be liable to pay the amount due hereunder, but with interest at a rate no greater than the Interest Rate, according to the terms of any such agreement of extension or modification.

For purposes of this Note, "Year 2000 compliant" means, with regard to any entity, that all software, embedded microchips, and other processing capabilities utilized by, and material to the business operations or financial condition of, such entity are able to interpret and manipulate data on and involving all calendar dates correctly and without causing any abnormal ending scenario, including in relation to dates in and after the Year 2000: the Maker has (i) undertaken a detailed inventory, review and assessment of all areas

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within its business and operation that could be adversely affected by failure of the Maker to be Year 2000 compliant, (ii) developed a detailed plan and timeline for becoming Year 2000 compliant by December 31, 1999, and (iii) to. date, implemented that plan (and will continue to implement that plan to completion) in accordance with that timetable in all material respects. The Maker represents that it will be Year 2000 compliant no later than December 31, 1999.

This Note may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

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 proceedings (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon default, the Maker agrees to pay, in addition to the principal and interest due and payable hereon, all costs of collection or attempting to collect this Note, including reasonable attorneys' fees and expenses.

The Maker hereby authorizes the Bank to enter from time to time the amount of each Advance to the Maker on the schedule annexed hereto and made a part hereof, which shall be presumed to be correct absent manifest error. Failure of the Bank to record such information on such schedule shall not in any way affect the obligation of the Maker to pay any amount due under this Note.

Time is of the essence as to all dates set forth herein, provided, however, that whenever any payment to be made under this Note shall be stated to be due on a Saturday, Sunday or a public holiday or the equivalent for banks generally under the laws of the State of New York (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

All parties to this Note, whether the Maker, principal, surety, guarantor, or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

Any notice, demand or request relating to any matter set forth herein shall be in writing and shall be deemed effective when mailed, postage prepaid, by registered or certified mail, return receipt requested, to any party hereto at its address stated herein or at such other address of which it shall have notified the party giving such notice in writing as aforesaid.

This Note is to be construed and enforced in accordance with the laws of the State of New York.

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This Note is the first in a series of notes up to an aggregate principal amount of \$10,000,000.00 to be issued on the terms and conditions contained in the commitment letter dated September 30, 1999 from the Bank to the Maker.

RD BRANCH ASSOCIATES, L.P.

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:  
20 Soundview Marketplace  
Port Washington, NY 11050

Property Location:  
The Branch Shopping Center  
Intersection of Route 111 and Route 25/25A  
Village of the Branch  
Smithtown, NY  
(the "Premises")

PROMISSORY NOTE

December 16, 1999

\$13,750,000

Southport, Connecticut

FOR VALUE RECEIVED, 239 Greenwich Associates Limited Partnership, (the "Borrower"), hereby promises to pay to the order of FIRST UNION NATIONAL BANK (the "Bank"), at its offices at 5581 W. Oakland Park Blvd., 2nd Floor, Lauderhill, Florida 33313, or such other place as Bank shall designate in writing from time to time, the principal sum of Thirteen Million Seven Hundred Fifty Thousand Dollars (\$13,750,000) (the "Loan"), together with interest thereon as hereinafter provided.

1. INTEREST RATE. Interest shall be charged on the outstanding principal balance from the date hereof until the full amount of principal due hereunder has been paid at a rate equal to 1-month LIBOR plus one and sixty-five hundredths per cent (1.65%) per annum ("LIBOR-Based Rate"), as determined by Bank prior to the commencement of each Interest Period. Upon full occupancy of the retail space at the Property (as herein defined) with all retail tenants paying rent in accordance with Bank approved leases, the interest rate will be reduced to 1-month LIBOR plus one and forty-five hundredths percent (1.45%) per annum. Interest shall be calculated daily on the basis of the actual number of days elapsed over a 360 day year. The LIBOR-Based Rate shall remain in effect, subject to the provisions hereof, from and including the first day of the Interest Period to and excluding the last day of the Interest Period for which it is determined.

"LIBOR" means, with respect to each day during each Interest Period, the rate for U.S. dollar deposits of one month maturity as reported on Telerate page 3750 as of 11:00 a.m., London time, on the second London business day before the relevant Interest Period begins (or if not so reported, then as determined by the Bank from another recognized source or interbank quotation).

"Interest Period" means, initially, the period commencing on (and including) the date hereof and ending on (but excluding) the first Payment Date (as hereinafter defined), and thereafter, each period commencing on (and including) the last day of the immediately preceding Interest Period and ending on (but excluding) the next Payment Date, provided, (i) any Interest Period that would otherwise end on (but exclude) a day which is not a New York business day shall be extended to the next succeeding New York business day, unless such extension would carry such Interest Period into the next month, in which event such Interest Period shall end on (but exclude) the preceding New York business day; (ii) any Interest Period that ends in a month for which there is no day which numerically corresponds to the Payment Date shall end on (but exclude) the last New York business day of such month, and (iii) any Interest Period that would otherwise extend past the Maturity Date shall end on (but exclude) the Maturity Date.

2. PAYMENT OF PRINCIPAL AND INTEREST. Interest only on the outstanding principal balance from the date hereof to the first Payment Date shall be due and payable on said Payment Date. Thereafter, principal and interest shall be due and payable on the first day of each month (each, a "Payment Date") commencing on February 1, 2000 and continuing on the first day of each month thereafter, in consecutive monthly installments in an amount equal to the sum of (i) all then

accrued and unpaid interest at the Interest Rate, plus (ii) a principal payment in the amount of Ten Thousand Three Hundred Thirty-Five Dollars (\$10,335.00). The entire unpaid principal amount hereof, together with accrued and unpaid interest thereon and all other amounts payable hereunder shall be due and payable on January 1, 2005 (the "Maturity Date").

3. APPLICATION OF PAYMENTS. Except as otherwise specified herein, each payment or prepayment, if any, made under this Note shall be applied to pay late charges, accrued and unpaid interest, principal, escrows (if any), and any other

fees, costs and expenses which Borrower is obligated to pay under this Note, in such order as Bank may elect from time to time in its sole discretion.

4. TENDER OF PAYMENT. All payments on this Note shall be made in immediately available lawful money of the United States by direct charge to the demand deposit account with Bank designated in writing by Borrower. All sums payable to Bank which are due on a day on which Bank is not open for business shall be paid on the next succeeding business day and such extended time shall be included in the computation of interest.

5. LATE CHARGE. In the event that any installment of principal or interest required to be made by Borrower under this Note shall not be received by Bank within five (5) days after its due date, Borrower shall pay to Bank, on demand, a late charge of five percent (5%) of such delinquent payment. The foregoing right is in addition to, and not in limitation of, any other rights which Bank may have upon Borrower's failure to make timely payment of any amount due hereunder.

6. PREPAYMENT. The Loan may be prepaid, in whole or in part, at any time and from time to time; provided, however, that Borrower shall indemnify Bank against Bank's loss or expense in employing deposits as a consequence (a) of Borrower's failure to make any payment when due under the Note, or (b) any prepayment of the Loan on a date other than the last day of the Interest Period ("Indemnified Loss or Expense"). The amount of such Indemnified Loss or Expense shall be determined by Bank based upon the assumption that Bank funded 100% of the Loan in the London interbank market. Any prepayment shall include accrued and unpaid interest to the date of prepayment on the principal amount prepaid and all other sums due and payable hereunder. The monthly principal installment shall not be reamortized following a partial prepayment. Nothing herein shall be deemed to alter or affect any obligations that Borrower may have to Bank under any interest rate swap agreements.

#### 7. SECURITY FOR THE NOTE.

7.1. This Note is executed and delivered in accordance with a commercial transaction described herein. As security for the payment of the monies owing under this Note, Borrower has delivered or has caused to be delivered to Bank the following (each a "Loan Document" and collectively with this Note, and any other guaranty, document, certificate or instrument executed by Borrower or any other obligated party in connection with the Loan, together with all amendments, modifications, renewals or extensions thereof, the "Loan Documents"): (a) an Open-End Mortgage and Security Agreement (the "Mortgage") on certain real property and the improvements situated thereon in the Town of Greenwich, County of Fairfield, State of Connecticut, as more fully described in the Mortgage (the "Property"); (b) an Absolute Assignment of Leases and Rents (the "Assignment of Leases") assigning all of the assignor's rights as lessor under all leases affecting the Property; and (c) a Guaranty Agreement (the "Guaranty") by James B. Cummings, Alice K. Cummings and Acadia Realty Trust.

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7.2. Borrower hereby grants to Bank a continuing security interest in all property of Borrower, now or hereafter in the possession of Bank, as security for the payment of this Note and any other liabilities of Borrower to Bank, which security interest shall be enforceable and subject to all the provisions of this Note, as if such property were specifically pledged hereunder.

8. DEFAULT RATE. From and after the Maturity Date or from and during the occurrence of an Event of Default hereunder, irrespective of any declaration of maturity, all amounts remaining unpaid or thereafter accruing hereunder, shall, at Bank's option, bear interest at a default rate of four percent (4%) per annum above the interest rate then in effect as set forth herein (the "Default Rate"), or the highest permissible rate under applicable usury law, whichever is less. Such default rate of interest shall be payable upon demand, but in no event later than when scheduled interest payments are due, and shall also be charged on the amounts owed by Borrower to Bank pursuant to any judgments entered in favor of Bank with respect to this Note.

9. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Bank as follows:

9.1. Organization, Powers. Borrower (i) is (a) an adult individual and is sui juris, or (b) a corporation, general partnership, limited partnership, or limited liability company (as indicated below), duly organized, validly existing and in good standing under the laws of the state of its organization, and is authorized to do business in each other jurisdiction wherein its ownership of property or conduct of business legally requires such authorization; (ii) has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated; and (iii) has the power and authority to execute, deliver and perform, and by all necessary action has authorized the execution, delivery and performance of, all of its obligations under each Loan Document to which it is a party.

9.2. Execution of Loan Documents. Each of the Loan Documents to which Borrower is a party has been duly executed and delivered by Borrower. Execution, delivery and performance of each of the Loan Documents to which Borrower is a party will not: (i) violate any of its organizational documents, provision of law, order of any court, agency or other instrumentality of government, or any provision of any indenture, agreement or other instrument to which it is a party or by which it or any of its properties is bound; (ii) result in the creation or imposition of any lien, charge or encumbrance of any nature, other than the liens created by the Loan Documents; and (iii) require any authorization, consent, approval, license, exemption of, or filing or registration with, any court or governmental authority.

9.3. Obligations of Borrower. Each of the Loan Documents to which Borrower is a party is the legal, valid and binding obligation of Borrower, enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles relating to or affecting the enforcement of creditors' rights generally. Borrower is obtaining the Loan for commercial purposes.

9.4. Litigation. There is no action, suit or proceeding at law or in equity or by or before any governmental authority, agency or other instrumentality now pending or, to the knowledge of Borrower, threatened against or affecting Borrower or any of its properties or rights which, if adversely determined, would materially impair or affect: (i) the value of any collateral securing this Note; (ii) Borrower's right to carry on its business substantially as now conducted (and as now contemplated); (iii) its financial condition; or (iv) its capacity to consummate and perform its obligations under the Loan Documents to which Borrower is a party.

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9.5. No Defaults. Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained herein or in any material agreement or instrument to which it is a party or by which it or any of its properties is bound.

9.6. No Untrue Statements. No Loan Document or other document, certificate or statement furnished to Bank by or on behalf of Borrower contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. Borrower acknowledges that all such statements, representations and warranties shall be deemed to have been relied upon by Bank as an inducement to make the Loan to Borrower.

## 10. COVENANTS

10.1. Operating Accounts. Borrower shall maintain its primary operating accounts at Bank.

10.2. Financial Statements: Compliance Certificate.

10.2.1. Borrower shall furnish to Bank the following financial information, in each instance prepared in accordance with generally accepted accounting principles consistently applied:

(a) Not later than ninety (90) days after the end of each fiscal year, annual financial statements of Borrower including, without limitation, statements of financial condition, income and cash flows, a reconciliation of net worth, a listing of all contingent liabilities, notes to financial

statements and any other information requested by Bank, and commencing at the end of fiscal year 2000, prepared on a compilation basis by a certified public accountant acceptable to Bank.

(b) Not later than thirty (30) day-s after filing with the Internal Revenue Service, a true and complete copy of the federal tax returns, including all schedules, of Borrower.

(c) Not later than sixty (60) days after the end of each interim fiscal half year management prepared financial statements relating to the operation of the Property including, without limitation, a statement of cash flows, certified rent roll, summary of leases, a statement of profits and losses, and any other information requested by Bank.

(d) Not later than fifteen (15) days after execution, copies of all permitted new or modified leases, including residential leases, of the Property.

(e) Such other information respecting the operations of Borrower and/or the Property as Bank may from time to time reasonably request.

10.2.2. Borrower shall furnish to Bank, with each set of financial statements described herein, a compliance certificate signed by Borrower's authorized officer certifying that: (i) all representations and warranties of Borrower set forth in this Note or any other Loan Document remain true and correct as of the date of such compliance certificate; (ii) none of the covenants of Borrower contained in this Note or any other Loan Document has been breached; and (iii) to its knowledge, no event has occurred which constitutes an Event of Default (or which, with the giving of notice or the passage of time, or both, would constitute an Event of Default) under this Note or any other Loan Document. In addition, Borrower shall promptly notify Bank of the occurrence of any default, Event of Default, adverse litigation or material adverse change in its financial condition.

#### 10.5. Indemnification.

10.5.1. Borrower hereby indemnifies and agrees to defend and hold harmless Bank, its officers, employees and agents, from and against any and all losses, damages, or liabilities and from any suits, claims or demands, including reasonable attorneys' fees incurred in investigating or defending such claim, suffered by any of them and caused by, arising out of, or in any way connected with the Loan Documents or the transactions contemplated therein (unless determined by a final judgment of a court of competent jurisdiction to have been caused solely by the gross negligence or willful misconduct of any of the indemnified parties) including, without limitation: (i) disputes with any architect, general contractor, subcontractor, materialman or supplier, or on account of any act or omission to act by Bank in connection with the Property; (ii) losses, damages (including consequential damages), expenses or liabilities sustained by Bank in connection with any environmental inspection, monitoring, sampling or cleanup of the Property required or mandated by any applicable environmental law; provided, however, that Borrower shall not be obligated to bear the expense of such environmental inspections, audits and tests so long as (a) no Event of Default exists, and (b) Bank has no cause to believe in its sole reasonable judgment that there has been a Release or threatened Release of Hazardous Substances (as defined in the Mortgage) at the Property or that Borrower or the Property is in violation of any Environmental Law (as defined in the Mortgage) (iii) claims by any tenant or any other party arising under or in connection with any lease of all or any portion of the Property; (iv) any untrue statement of a material fact contained in information submitted to Bank by Borrower or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete; (v) the failure of Borrower to perform any obligations herein required to be performed by Borrower; and (vi) the ownership, construction, occupancy, operation, use or maintenance of the Property.

10.5.2. In case any action shall be brought against Bank, its officers, employees or agents, in respect to which indemnity may be sought against Borrower, Bank or such other party shall promptly notify Borrower and Borrower shall assume the defense thereof, including the employment of counsel selected by Borrower and satisfactory to Bank, the payment of all costs and

expenses and the right to negotiate and consent to settlement. Bank shall have the right, at its sole option, to employ separate counsel in any such action and to participate in the defense thereof, all at Borrower's sole cost and expense. Borrower shall not be liable for any settlement of any such action effected without its consent (unless Borrower fails to defend such claim), but if settled with Borrower's consent, or if there be a final judgment for the claimant in any such action, Borrower agrees to indemnify and hold harmless Bank from and against any loss or liability by reason of such settlement or judgment.

10.5.3. The provisions of this Section 10.5 shall survive the repayment or other satisfaction of the Liabilities.

11. EVENTS OF DEFAULT. Each of the following shall constitute an event of default hereunder (an "Event of Default"): (a) the failure of Borrower to pay any amount of principal or interest hereunder within five (5) days of when due and payable; or (b) the occurrence of any other default in any term, covenant or condition hereunder or any Event of Default under the Loan Agreement, the Mortgage or any other Loan Document.

12. REMEDIES. If an Event of Default exists, Bank may exercise any right, power or remedy permitted by law or as set forth herein or in the Loan Agreement, the Mortgage or any other Loan Document including, without limitation, the right to declare the entire unpaid principal amount hereof and all interest accrued

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hereon, and all other sums secured by the Mortgage or any other Loan Document, to be, and such principal, interest and other sums shall thereupon become, immediately due and payable.

13. MISCELLANEOUS.

13.1. Disclosure of Financial Information. Bank is hereby authorized to disclose any financial or other information about Borrower to any regulatory body or agency having jurisdiction over Bank and to any present, future or prospective participant or successor in interest (which has agreed in writing to keep such financial information confidential and to return such financial information if they fail to acquire an interest in the Loan) in any loan or other financial accommodation made by Bank to Borrower. The information provided may include, without limitation, amounts, terms, balances, payment history, return item history and any financial or other information about Borrower.

13.2. Integration. This Note and the other Loan Documents constitute the sole agreement of the parties with respect to the transaction contemplated hereby and supersede all oral negotiations and prior writings with respect thereto.

13.3. Attorneys' Fees and Expenses. If Bank retains the services of counsel by reason of a claim of a default or an Event of Default hereunder or under any of the other Loan Documents, or on account of any matter involving this Note, or for examination of matters subject to banks approval under the Loan Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by Bank shall be paid by Borrower, on demand, and shall be deemed part of the obligations evidenced hereby.

13.4. No Implied Waiver. Bank shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Bank, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy in a subsequent event. After any acceleration of, or the entry of any judgment on, this Note, the acceptance by Bank of any payments by or on behalf of Borrower on account of the indebtedness evidenced by this Note shall not cure or be deemed to cure any Event of Default or reinstate or be deemed to reinstate the terms of this Note absent an express written agreement duly executed by Bank and Borrower.

13.5. Waiver. Borrower, jointly and severally, waives demand, notice, presentment, protest, demand for payment, notice of dishonor, notice of protest and diligence of collection of this Note. Borrower consents to any and all extensions of time, renewals, waivers, or modifications that may be granted by Bank with respect to the payment or other provisions of this Note, and to the release of any collateral, with or without substitution. Borrower agrees that makers, endorsers, guarantors and sureties may be added or released without

notice and without affecting Borrowers liability hereunder. The liability of Borrower shall not be affected by the failure of Bank to perfect or otherwise obtain or maintain the priority or validity of any security interest in any collateral. The liability of Borrower shall be absolute and unconditional and without regard to the liability of any other party hereto.

13.6. No Usurious Amounts. Anything herein contained to the contrary notwithstanding, it is the intent of the parties that Borrower shall not be obligated to pay interest hereunder at a rate which is in excess of the maximum rate permitted by law. If by the terms of this Note, Borrower is at any time required to pay interest at a rate in excess of such maximum rate, the rate of interest under this Note shall be deemed to be immediately reduced to such maximum legal rate and the portion of all prior interest payments in excess of such maximum legal rate shall be applied to and shall be deemed to have been

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payments in reduction of the outstanding principal balance, unless Borrower shall notify Bank, in writing, that Borrower elects to have such excess sum returned to it forthwith. Borrower agrees that in determining whether or not any interest payable under this Note exceeds the highest rate permitted by law, any non-principal payment, including without limitation, late charges, shall be deemed to the extent permitted by law to be an expense, fee or premium rather than interest. In addition, Bank may, in determining the maximum rate of interest allowed under applicable law, as amended from time to time, take advantage of: (i) the rate of interest permitted by Section 687.12 Florida Statutes ('Interest rates; parity among licensed lenders or creditors') and 12 United States Code, Sections 85 and 86, and (ii) any other law, rule or regulation in effect from time to time, available to Bank which exempts Bank from any limit upon the rate of interest it may charge or grants to Bank the right to charge a higher rate of interest than allowed by Florida Statutes, Chapter 687.

13.7. Partial Invalidity. The invalidity or unenforceability of any one or more provisions of this Note shall not render any other provision invalid or unenforceable. In lieu of any invalid or unenforceable provision, there shall be added automatically a valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible.

13.8. Binding Effect. The covenants, conditions, waivers, releases and agreements contained in this Note shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns; provided, however, that this Note cannot be assigned by Borrower without the prior written consent of Bank, and any such assignment or attempted assignment by Borrower shall be void and of no effect with respect to Bank.

13.9. Modifications. This Note may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any such waiver, change, modification or discharge is sought.

13.10. Sales or Participations. Bank may from time to time pledge, sell or assign, in whole or in part, or grant participations in, the Loan, this Note and/or the obligations evidenced thereby. The holder of any such sale, assignment or participation, if the applicable agreement between Bank and such holder so provides, shall be: (a) entitled to all of the rights, obligations and benefits of Bank; and (b) deemed to hold and may exercise the rights of setoff or banker's lien with respect to any and all obligations of such holder to Borrower, in each case as fully as though Borrower were directly indebted to such holder. Bank may in its discretion give notice to Borrower of such sale, assignment or participation; however, the failure to give such notice shall not affect any of Bank's or such holders rights hereunder.

13.11. Jurisdiction. Borrower irrevocably appoints the general partner of the Borrower as its attorneys upon whom may be served, by regular or certified mail at the address set forth below, any notice, process or pleading in any action or proceeding against it arising out of or in connection with this Note or any other Loan Document; and Borrower hereby consents that any action or proceeding against it be commenced and maintained in any court within the State of Florida by service of process on any such owner, partner and/or officer; and Borrower agrees that the courts of such State shall have jurisdiction with respect to the subject matter hereof and the person of Borrower and all



collateral securing the obligations of Borrower. Borrower agrees not to assert any defense to any action or proceeding initiated by Bank based upon improper venue or inconvenient forum.

13.12. Notices. All notices and communications under this Note shall be in writing and shall be given by either (a) certified mail, return receipt requested, or (b) reliable overnight commercial courier (charges prepaid), to

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the addresses listed in the Mortgage and to Aberdeen 239 LLC, 41 West Putnam Avenue, Greenwich, Connecticut 06830. Notice shall be deemed to have been given and received: (i) if by certified mail, the earlier of the actual delivery as shown by the addressee's return receipt or when tendered, if refused; and (ii) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

13.13. Governing Law. This Note shall be governed by and construed in accordance with the substantive laws of the State of Florida without reference to conflict of laws principles.

13.14. Joint and Several Liability. If Borrower consists of more than one person or entity, the word "Borrower" shall mean each of them and their liability shall be joint and several.

13.15. Continuing Enforcement. If, after receipt of any payment of all or any part of this Note, Bank is compelled or agrees, for settlement purposes, to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Note and the other Loan Documents shall continue in full force and effect or be reinstated, as the case may be, and Borrower shall be liable for, and shall indemnify, defend and hold harmless Bank with respect to, the full amount so surrendered. The provisions of this Section shall survive the cancellation or termination of this Note and shall remain effective notwithstanding the payment of the obligations-evidenced hereby, the release of any security interest, lien or encumbrance securing this Note or any other action which Bank may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action shall be deemed to have been conditioned upon any payment of the obligations evidenced hereby having become final and irrevocable.

13.16. Waiver of Jury Trial. BORROWER AND BANK AGREE THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY BANK OR BORROWER, ON OR WITH RESPECT TO THIS NOTE OR ANY OTHER LOAN DOCUMENT OR THE DEALINGS OF THE PARTIES WITH RESPECT HERETO OR THERETO, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. BANK AND BORROWER EACH HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND INTELLIGENTLY, AND WITH THE ADVICE OF THEIR RESPECTIVE COUNSEL, WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, BORROWER WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR, RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. BORROWER ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT BANK WOULD NOT EXTEND CREDIT TO BORROWER IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS NOTE.

#### 14. LIMITATION ON RECOURSE.

14.1. Limitation on Recourse. Except as set forth in paragraph 14.2 below, in any action brought to enforce the obligation of Borrower to pay the indebtedness evidenced by this Note or to enforce the obligation of Borrower to pay any indebtedness or discharge any obligation created or arising under the Mortgage or any other Loan Document, the judgement or decree shall be enforceable against Borrower only to the extent of the Property, and any such judgment shall not be subject to execution on, nor be a lien on the assets of Borrower or the General Partner of Borrower, other than its interest in the

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Property. Except as aforesaid, nothing contained in this Section or the Loan

Documents shall limit the rights of Bank against any person, firm or entity, including Borrower, provided, however, in no case (including any exception stated in Section 10.2) shall the Bank have any right to bring any action against the general partner of the Borrower or its assets.

14.2. Exceptions. Notwithstanding the foregoing, nothing contained in this Section shall be deemed to prejudice the rights of Bank:

(a) to proceed against any entity or person whatsoever, including Borrower, with respect to the enforcement of any guarantees, leases, or similar rights to payment;

(b) to recover any expenses, damages or costs (including, without limitation, attorneys' fees), incurred by Bank as a result of: (a) Borrowers fraud or material misrepresentation in connection with application for or obtaining the Loan or in performance of the Borrowers obligations hereunder, (b) Borrowers misappropriation or misapplication of condemnation or insurance proceeds or security deposits, (c) any environmental matters, including any loss of value of the Property as a result of any Release or any other violation of or assertion of lien under Connecticut General Statutes Section 22a452a or related federal, state or local laws or regulations as to the Property, (d) Borrowers collection of rents in advance in violation of any covenant in the Loan Documents, the failure to make payments when due on the Loan or payments of insurance premiums, property taxes, deposits into a capital reserve account or a reserve for replacements or payments of other operating or maintenance expenses related to the Property during such time as total revenues from the Property are sufficient to pay such amounts, or the failure to pay a portion of such amounts up to the full extent of the total revenues from the Property;

(c) to recover any tenant security deposits, advance or prepaid rents or other similar sums paid to or held by Borrower or any other entity or person in connection with the operation of the Property;

Borrower promises to pay to Bank all amounts described in clauses (b) and (c) above on demand by Bank and agrees that it will be personally liable for the payment of all such sums.

This instrument prepared by and when recorded return to: Audrey A. Ellis, Esq.  
Bilzin Sumberg Dunn  
Price & Axelrod LLP  
2500 First Union Financial Center  
Miami, Florida 33131-2336

NOTE AND MORTGAGE ASSUMPTION AGREEMENT  
(ASW 1995-C1; LOAN NO. 009590229)

THIS NOTE AND MORTGAGE ASSUMPTION AGREEMENT (this "Agreement") dated as of February 24, 1999, among LASALLE NATIONAL BANK FOR THE BENEFIT OF CERTIFICATE HOLDERS OF AMERICAN SOUTHWEST FINANCIAL SECURITIES CORP., COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 1995-C1 ("Lender"), having an address at 135 S. LaSalle Street, Suite 1625, Chicago, Illinois 60603, Attn: Jay Lally Re: ASW 1995-C I, Loan #009590229; MAD RIVER PROPERTIES LTD., an Ohio limited liability company, successor in interest by merger to Mad River Ltd., an Ohio limited partnership, having an address at c/o The Beerman Realty Co., 11 West Monument Building, 8th Floor, Dayton, Ohio 45402 ("Original Borrower"); and ACADIA MAD RIVER PROPERTY LLC, a Delaware limited liability company, having an address at 20 Soundview Marketplace, Port Washington, New York 11050 and having a Federal Taxpayer Identification Number of 11-3465079 ("New Borrower"). Original Borrower and New Borrower are hereinafter sometimes collectively referred to as "Borrower Parties."

PRELIMINARY STATEMENT

A. Original Borrower is the current owner of fee title to that certain real property (the "Land") and the buildings and improvements thereon (the "Improvement"), located in the Township of Miami, County of Montgomery, State of Ohio, more particularly described in Exhibit "A" attached hereto and made a part hereof commonly referred to as the "Mad River Station Shopping Center" (the Land and the Improvements are hereinafter sometimes collectively referred to as the "Project").

B. Lender is the current owner and holder of a loan ("Loan") in the original principal amount of \$8,000,000 evidenced by that certain Promissory Note dated as of May 23, 1995 (the Promissory Note, as same may be renewed, consolidated, replaced, extended, substituted, amended or otherwise modified, shall hereinafter be referred to as the "Note") made by Original Borrower in favor of Column Financial, Inc., a Delaware corporation ("Original Lender"), in the principal amount of \$8,000,000 and secured by, among other things, (i) an Open-End Mortgage and Security Agreement dated as of May 2', 1995 (the "Mortgage") made by Original Borrower for the benefit of Original Lender and encumbering the Project, recorded on May 23, 1995 under Microfiche No. 95-1322BOI of the Records of the County of Montgomery, State of Ohio (the "Records"); (ii) an Assignment of Leases and Rents dated as of May 23, 1995 (the "Assignment of Rents") made by Original Borrower for the benefit of Original Lender and recorded on May 23, 1995, under Mortgage Microfiche No. 95-1323A06 of the Records; (iii) those certain UCC-1 Financing Statements (the "Financing Statements") reflecting Original Borrower, as Debtor and Original Lender, as Secured Party recorded under Mortgage Microfiche Nos. 95-173A05 and 95-173AI I of the Records and filed with the Ohio Secretary of State on May 25, 1995 under File Number AL88563; (iv) a Hazardous Substances Indemnity Agreement dated as of May 23, 1995 ("Hazardous Indemnity") made by Original Borrower and Barbara Weprin ("Weprin") in favor of Original Lender; and (v) an Indemnity and Guaranty Agreement dated as of May 23, 1995 ("Guaranty") made by Weprin in favor of Original Lender.

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C. The Note, the Mortgage, the Assignment of Rents, the Financing Statements, the Hazardous Indemnity, the Guaranty and any and all other agreements, documents, and other instruments evidencing, securing or in any manner relating to the Loan shall hereinafter be collectively referred to as the "Loan Documents."

D. New Borrower desires to purchase the Project from Original Borrower and to assume all of Original Borrower's obligations under the Loan Documents.

E. A sale of the Project to and the assumption of the Loan by a third party without the consent of the holder of the Mortgage is prohibited by the terms thereof.

F. As required by the Loan Documents, the Lender has agreed to permit the Original Borrower to sell the Project to the New Borrower and the New Borrower to assume all of Original Borrower's obligations under the Loan Documents.

In consideration of \$1 0.00 paid by each of the parties to the other, the mutual covenants set forth below, and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1  
ACKNOWLEDGMENTS, WARRANTIES AND REPRESENTATIONS

1.1 Original Borrower Representations. As a material inducement to Lender to enter into this Agreement, to consent to the sale of the Project to New Borrower, and to permit the New Borrower to assume all of Original Borrower's obligations under the Loan Documents, Original Borrower acknowledges, represents, warrants and agrees to and with Lender as follows:

(a) Authority of Original Borrower. Original Borrower is a duly formed, validly existing limited liability company formed and in good standing under the laws of the State of Ohio. William S. Weprin ("Original Borrower Manager") is the sole manager of Original Borrower. The execution, delivery, and performance of this Agreement by Original Borrower has been duly and properly authorized pursuant to all requisite company action. William S. Weprin, as President of Original Borrower, acting alone without the joinder of any member or other officer of Original Borrower or any other party has the power and authority to execute this Agreement on behalf of Original Borrower and to duly bind Original Borrower under this Agreement. The execution, delivery and performance of this Agreement by Original Borrower does not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Original Borrower or the operating agreement or other organizational documents of Original Borrower or (ii) result in a breach or constitute or cause a default under any indenture, agreement, lease or instrument to which Original Borrower is a party or by which the Project may be bound or affected.

(b) Compliance with Laws. Original Borrower has not received any written notice from any governmental entity claiming that Original Borrower or the Project is not presently in compliance with any laws, ordinances, rules and regulations bearing upon the use and operation of the Project, including, without limitation, any notice relating to zoning laws or building codes or regulations.

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(c) Rent Roll. The Rent Roll ("Rent Roll") attached hereto and made a part hereof as Exhibit "B" is a true, complete and accurate summary of all tenant leases affecting the Project as of the date of this Agreement.

(d) Title to Project and Legal Proceedings. Original Borrower is the current owner of fee title in the Project. There are no pending or threatened suits, judgments, arbitration proceedings, administrative claims, executions or other legal or equitable actions or proceedings against Original Borrower, Original Borrower Manager or the Project, or any pending or threatened condemnation proceedings or annexation proceedings affecting the Project, or any agreements to convey any portion of the Project, or any rights thereto to any person or entity not disclosed in this Agreement, including, without limitation, any government or governmental agency,

(e) Other Loans. Neither Original Borrower nor any member of Original Borrower or shareholder, director, any principal or other affiliate of Original Borrower or member of Original Borrower has any other loans from Original Lender, Lender or any other conduit lender or any other loans payable

to Midland Loan Services, as servicer.

(f) Loan Documents. The Loan Documents constitute valid and legally binding obligations of Original Borrower. Original Borrower has no defenses, setoffs, claims, counterclaims or causes of action of any kind or nature whatsoever against Lender or any of Lender's officers, directors, servicers or predecessors in interest with respect to (i) the Loan, (ii) the Loan Documents, (iii) any other documents or instruments now or previously evidencing, securing or in any way relating to the Loan, (iv) the administration or funding of the Loan or (v) the development, operation or financing of the Project. To the extent Original Borrower would be deemed to have any such defenses, setoffs, claims, counterclaims or causes of action. Original Borrower waives and relinquishes them as of the date hereof.

(g) Repair and Remediation. All maintenance, repairs and/or remedial or corrective work required under that the Repair Letter and in Exhibit "C" of the Mortgage has been completed in full compliance with such the Repair Letter and the terms of Exhibit "C".

(h) RePAIR and Remediation Reserve. Original Borrower has completed, performed, remediated and corrected to the satisfaction of Original Lender and as necessary to bring the Property into compliance with all applicable laws, ordinances, rules and regulations, each of the items described in that certain Required Repair Letter from Original Lender to Original Borrower dated March 23, 1995, all as required by Section C-1 of the Mortgage.

(i) Reaffirmation and Release. Original Borrower acknowledges and agrees that nothing contained in this Agreement shall release Original Borrower from any of its obligations, agreements, duties and liabilities under the Loan Documents arising prior to the date hereof, provided, however, by its execution hereof, Lender hereby releases Original Borrower for any acts or events occurring or obligations arising under the Loan Documents (with the exception of the Hazardous Indemnity, the provisions for the release of Original Borrower being set forth in the Reaffirmation of Hazardous Substances Indemnity and Consent of Indemnitors being executed in connection herewith) after the date of the closing of the purchase and sale of the Property and the assumption of the Loan by New Borrower.

1.2 Acknowledgments, Warranties and Representations of New Borrower. As a material inducement to Lender to enter into this Agreement, to consent to the sale of the Project to New Borrower and to permit the New Borrower to assume all of Original Borrower's obligations under the Loan Documents, New Borrower acknowledges, warrants, represents and agrees to and with Lender as follows:

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(a) Authority of New Borrower. New Borrower is a validly existing limited liability company duly formed and in good standing under the laws of the State of Delaware and is in the process of qualifying to transact business in the State of Ohio. Acadia Realty Limited Partnership, a Delaware limited partnership ("New Borrower Member"), is the sole member of New Borrower. The execution and delivery of, and performance under, this Agreement by New Borrower has been duly and properly authorized pursuant to all requisite company action. New Borrower Member, acting alone without the joinder of any other member of New Borrower or any other party has the power and authority to execute this Agreement on behalf of and to duly bind New Borrower under this Agreement and the Loan Documents. Neither the execution, delivery or performance of this Agreement nor the performance under the Loan Documents by New Borrower will (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to New Borrower or the articles of organization or operating agreement of New Borrower or (ii) result in a breach of or constitute or cause a default under any indenture, agreement, lease or instrument to which New Borrower is a party or by which the Project may be bound or affected.

(b) Authority of New Borrower Member. The execution and delivery of and performance under this Agreement by New Borrower Member, as the sole member and on behalf of New Borrower has been duly and properly authorized pursuant to all requisite partnership action. Kenneth F. Bernstein as President of Arcadia Realty Trust, as the sole general partner ("General Partner") of New Borrower Member, acting alone, without the joinder and consent of any other officer or director of General Partner or any other party has the power and

authority to execute this Agreement on behalf of and to duly bind New Borrower Member and New Borrower under this Agreement and the Loan Documents. The execution, delivery or performance of this Agreement by New Borrower Member will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to New Borrower Member or (ii) result in a breach of or constitute or cause a default under any indenture, agreement, lease or instrument to which New Borrower Member is a party or by which the Project may be bound or affected.

(c) Compliance with Organizational Documents. New Borrower is in full compliance with, and its organizational documents do not conflict with, any requirements of Section 1.33 of the Loan Documents. New Borrower is not in violation of, and will not in the future violate, any of the terms, covenants and provisions of its organizational documents.

(d) Rent Roll. To the best knowledge of New Borrower, the Rent Roll ("Rent Roll") attached hereto and made a part hereof as Exhibit "B" is a true, complete and accurate summary of all tenant leases affecting the Project as of the date of this Agreement.

(e) Financial Statement. The I O-Q Report of Acadia Realty Trust ("Acadia") for the period ending September 30, 1998 (the "Financial Statements") which has been previously delivered to Lender is true, complete and accurate in every material respect and accurately represents the financial condition of Acadia as of the date thereof. There has not been any material adverse change between the date of said Financial Statement and the date of this Agreement. New Borrower acknowledges that said Financial Statement has been provided to Lender to induce Lender to enter into this Agreement and is being relied upon by Lender for such purposes.

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(f) Title to Project and Legal proceedings. To the best knowledge of New Borrower, there are no pending or threatened suits, judgments, arbitration proceedings, administrative claims, executions or other legal or equitable actions or proceedings against any of New Borrower or the Project, or any pending or threatened condemnation proceedings or annexation proceedings affecting the Project, or any agreements to convey any portion of the Project, or any rights thereto to any person or entity, including, without limitation, any government or governmental agency.

(g) Other Loans. Neither New Borrower nor any member of New Borrower or any shareholder, director, principal or other affiliate of New Borrower or any partner or member of New Borrower has any other loans from Original Lender, Lender or any other conduit lender or any other loans payable to Midland Loan Services, as servicer.

(h) Management of Project. New Borrower has engaged Hutensky Group, LLC ("Manager") to manage the Project, pursuant to a written Management Agreement, a true and correct copy of which has been provided to Lender ("Management Agreement"). New Borrower further covenants and agrees to comply with all terms and conditions of the Mortgage concerning the management of the Project, including without limitation the obligation to obtain Lender's consent to the management of the Project by any entity other than Manager.

0) Loan Documents. As of the date hereof, the Loan Documents constitute valid and legally binding obligations of New Borrower enforceable against New Borrower and the Project in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statutes, rules, regulations or other laws affecting the enforcement of creditors' rights and remedies generally. New Borrower has no defenses, setoffs, claims, counterclaims or causes of action of any kind or nature whatsoever against Lender or any of Lender's officers, directors, servicers or predecessors in interest with respect to (i) the Loan, (ii) the Loan Documents, (iii) any other documents or instruments now or previously evidencing, securing or in any way relating to the Loan, (iv) the administration or funding of the Loan or (v) the development, operation or financing of the Project. To the extent New Borrower would be deemed to have any such defenses, setoffs, claims, counterclaims or causes of action, New Borrower knowingly waives and relinquishes them. New Borrower acknowledges that it has received copies of all of the Loan Documents.

(k) ERISA. New Borrower covenants and agrees that for so long as the loan is outstanding, unless Lender shall have previously consented in writing, (i) New Borrower will take no action that would cause it to become an "employee benefit plan" as defined in 29 C.F.R. Section 2510.3-1 0 1, or "assets of a governmental plan" subject to regulation under the state statutes, and (ii) New Borrower will not sell, assign or transfer the Project, or any portion thereof or interest therein, to any transferee that does not execute and deliver to Lender its written assumption of the obligations of this covenant.

(1) Qualification to do Business in Ohio. Within 45 days from the date hereof, New Borrower shall submit to Lender satisfactory evidence that it has qualified to transact business in the State of Ohio.

1.3 Acknowledgments, Warranties and Representations of Borrower Parties. As a material inducement to Lender to enter into this Agreement, to consent to the sale of the Project to New Borrower and to permit the New Borrower to assume the indebtedness due under the Loan and all of Original Borrower's other obligations under the Loan Documents, Borrower Parties acknowledge, warrant, represent and agree to and with Lender as follows:

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(a) Indebtedness. As of February 17, 1999, the outstanding principal balance of the Loan which is being assumed by New Borrower is \$7,661,302.15. The following escrow and reserve balances are being held by Lender as of the date hereof. (i) tax escrow balance of \$169,287.82 (\$117,494.67 of which will be disbursed by Lender to pay the current taxes due) ; (ii) insurance escrow balance of \$19,679.42 and (iii) leasing reserve balance of \$75,675.1 1. Original Borrower and New Borrower acknowledge and agree that Lender will continue to hold the escrow and reserve balances for the benefit of New Borrower in accordance with the terms of the Loan Documents. In the event of an error or omission of the foregoing information, Lender does not in any way prejudice its rights and entitlement to all monies lawfully due Lender under the terms of the Loan Documents.

(b) Compliance with Laws. All permits, licenses, franchises, or other evidences of authority to use and operate the Project as it is presently being operated and as contemplated by the Loan Documents are current, valid and in full force and effect.

(c) No Default. To Borrower Parties' knowledge, no event, fact or circumstance has occurred or failed to occur which constitutes, or with the lapse or passage of time, giving of notice or both, could constitute a default under Section 2.1 of the Mortgage.

(d) Bankruptcy. Neither of Borrower Parties has any present intent to (i) file any voluntary petition under any Chapter of the Bankruptcy Code, Title I 1, U.S.C.A. ("Bankruptcy Code"), or in any manner to seek any proceeding for relief, protection, reorganization, liquidation, dissolution or similar relief for debtors ("Debtor Proceeding") under any local, state, federal or insolvency law or laws providing relief for debtors or (ii) directly or indirectly to cause any involuntary petition under any Chapter of the Bankruptcy Code to be filed against either of Borrower Parties or any member of either of Borrower Parties, or (iii) directly or indirectly to cause the Project or any portion or any interest of either of Borrower Parties in the Project to become the property of any bankrupt estate or the subject of any Debtor Proceeding.

(e) Further Assurances. Borrower Parties shall execute and deliver to Lender such agreements, instruments, documents, financing statements and other writings as may be requested from time to time by Lender to perfect and to maintain the perfection of Lender's security interest in and to the Project, and to consummate the transactions contemplated by or in the Loan Documents and this Agreement.

1.4 Acknowledgments, Representations and Warranties of Lender. By its execution hereof, Lender confirms that to Lender's actual knowledge, the amounts set forth in Section 1.3(a) above are correct and Lender has not issued any written notices of default to Original Borrower that have not been cured.

1.5 Reaffirmations. Original Borrower reaffirms and, to the best of New Borrower's knowledge, New Borrower affirms and confirms the truth and accuracy of all representations and warranties set forth in the Loan Documents as if made

on the date hereof.

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ARTICLE 2  
COVENANTS OF BORROWER PARTIES

Borrower Parties covenant and agree with Lender that:

2.1 Assumption of Loan. New Borrower hereby assumes the indebtedness due under the Loan and all of Original Borrower's other obligations, as grantor, trustor, mortgagor, borrower, indemnitor, guarantor, trustor or maker, as the case may be, under the Loan Documents to the same extent as if New Borrower had signed such instruments, rather than Original Borrower. New Borrower agrees to comply with and be bound by all the terms, covenants and agreements, conditions and provisions set forth in the Loan Documents.

2.2 Transfer Fee. Simultaneously with the execution hereof, Original Borrower and/or New Borrower shall pay Lender a transfer fee equal to \$7,500.00 and an administrative fee of \$125.00.

2.3 Release and Covenant Not To Sue. Borrower Parties, jointly and severally, on behalf of themselves and all of their respective heirs, successors and assigns, remise, release, acquit, satisfy and forever discharge Lender or any of Lender's predecessors in interest and any subsidiary or affiliate of Lender or any of Lender's predecessors in interest, and all of the past, present and future officers, directors, contractors, employees, agents, servicers (including, but not limited to, Lennar Partners, Inc.), attorneys, representatives, participants, successors and assigns of Lender and Lender's predecessors in interest (collectively, "Lender Parties") from any and all manner of debts, accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, liabilities, obligations, expenses, damages, judgments, executions, actions, inactions, claims, demands and causes of action of any nature whatsoever, at law or in equity, known or unknown, either now accrued or subsequently maturing, which any of Borrower Parties now has or hereafter can, shall or may have by reason of any matter, cause or thing, from the beginning of the world to and including the date of this Agreement, including, without limitation, matters arising out of or relating to (a) the Loan, including, but not limited to, its administration or funding, (b) the Loan Documents, (c) the Project or its development, financing and operation, and (d) any other agreement or transaction between any of Borrower Parties and any of Lender Parties. Borrower Parties, jointly and severally, for themselves and all of their respective heirs, successors and assigns, covenant and agree never to institute or cause to be instituted or continue prosecution of any suit or other form of action or proceeding of any kind or nature whatsoever against any of Lender Parties by reason of or in connection with any of the foregoing matters, claims or causes of action.

As further consideration for the agreements herein contained, Borrower Parties hereby agree, represent and warrant that the matters released in this Agreement are not limited to matters which are known or disclosed. In this connection, Borrower Parties hereby agree, represent, and warrant that they realize and acknowledge that factual matters now unknown to one or more of the Borrower Parties may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, demands, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Borrower Parties further agree, represent and warrant and that the release herein contained has been negotiated and agreed upon in light of that realization and that Borrower Parties nevertheless hereby intend to release, discharge and acquit all parties so released from any such unknown claims.

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2.4 Payment of Transaction Costs and Expenses. Borrower Parties shall pay at the time of execution of this Agreement by Lender: (i) the legal fees and disbursements of Lender's counsel, Bilzin Sumberg Dunn Price & Axelrod LLP, in



connection with the preparation of this Agreement and the transactions contemplated in this Agreement; (ii) all recording costs and documentary stamps, if any, due upon the recording of this Agreement; and (iii) the costs of updating Lender's policy of title insurance insuring the Mortgage to a current date and endorsing such policy to include this Agreement in the description of the Mortgage, or the cost of obtaining a new Lender's title insurance policy acceptable to Lender insuring the Mortgage as affected by this Agreement.

ARTICLE 3  
ADDITIONAL PROVISIONS

3.1 Consent of Lender. Subject to the terms of this Agreement, Lender hereby consents to the sale of the Project to and the assumption of the Loan by New Borrower. Borrower Parties agree that this Agreement shall not be deemed an agreement by Lender to consent to any other sale or conveyance of the Project or assumption of the Loan. Lender's consent provided herein and New Borrower's assumption of the Loan shall not modify or alter in any manner the non-recourse provisions set forth in any of the Loan Documents as they currently apply to Original Borrower and shall like-wise apply to New Borrower.

3.2 Additional Documents. Contemporaneously with the execution and delivery of this Agreement and as a material inducement to Lender to enter into this Agreement, (a) New Borrower and Original Borrower shall have executed and delivered to Lender UCC-3 Statements of Change amending the Financing Statements for recording in the Records and filing with the Secretary of State of Ohio to add New Borrower as an additional debtor; (b) New Borrower, and New Borrower Member shall have executed and delivered to Lender a Hazardous Substances Indemnity Agreement in a form acceptable to Lender; (c) New Borrower Member shall have executed and delivered to Lender an Indemnity and Guaranty Agreement in a form acceptable to Lender; (d) Original Borrower and Weprin have executed and delivered to Lender a Reaffirmation of Hazardous Substances Indemnity Agreement and Consent of Indemnitors in a form acceptable to Lender; (e) Weprin has executed and delivered to Lender a Reaffirmation of Indemnity and Guaranty Agreement and Consent of Indemnitor in a form acceptable to Lender; and (t) Manager and New Borrower shall have executed a Manager's Consent and Subordination of Management Agreement, in a form acceptable to Lender.

3.3 References to Loan Documents. All references to the term "Loan Documents" in the Mortgage and the Assignment of Rents shall hereinafter mean and refer to (i) all of the Loan Documents described therein, (ii) this Agreement and (iii) any and all other documents executed in connection with or otherwise pertaining to this Agreement.

ARTICLE 4  
MISCELLANEOUS PROVISIONS

4.1 No Limitation of Remedies. No right, power or remedy conferred upon or reserved to or by Lender in this Agreement is intended to be exclusive of any other right, power or remedy conferred upon or reserved to or by Lender under this Agreement, the Loan Documents or at law, but each and every remedy shall be cumulative and concurrent, and shall be in addition to each and every other right, power and remedy given under this Agreement, the Loan Documents or now or subsequently existing at law.

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4.2 No Waivers. Except as otherwise expressly set forth in this Agreement, nothing contained in this Agreement shall constitute a waiver of any rights or remedies of Lender under the Loan Documents or at law. No delay or failure on the part of any party hereto in the exercise of any right or remedy under this Agreement shall operate as a waiver, and no single or partial exercise of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. No action or forbearance by any party hereto contrary to the provisions of this Agreement shall be construed to constitute a waiver of any of the express provisions. Any party hereto may in writing expressly waive any of such party's rights under this Agreement without invalidating this Agreement.

4.3 Successors or Assigns. Whenever any party is named or referred to

in this Agreement, the heirs, executors, legal representatives, successors, successors-in-title and assigns of such party shall be included. All covenants and agreements in this Agreement shall bind and inure to the benefit of the heirs, executors, legal representatives, successors, successors-in-title and assigns of the parties, whether so expressed or not.

4.4 Construction of Agreement. Each party hereto acknowledges that it has participated in the negotiation of this Agreement and no provision shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, dictated or drafted such provision. Borrower Parties at all times have had access to an attorney in the negotiation of the terms of and in the preparation and execution of this Agreement. Borrower Parties have had the opportunity to review and analyze this Agreement for a sufficient period of time prior to execution and delivery. No representations or warranties have been made by or on behalf of Lender, or relied upon by Borrower Parties, pertaining to the subject matter of this Agreement, other than those set forth in this Agreement. All prior statements, representations and warranties, if any, are totally superseded and merged into this Agreement, which represent the final and sole agreement of the parties with respect to the subject matters. All of the terms of this Agreement were negotiated at arm's length, and this Agreement was prepared and executed without fraud, duress, undue influence or coercion of any kind exerted by any of the parties upon the others. The execution and delivery of this Agreement is the free and voluntary act of Borrower Parties.

4.5 Invalid Provision to Affect No Others. If, from any circumstances whatsoever, fulfillment of any provision of this Agreement or any related transaction at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity. If any clause or provision operates or would prospectively operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be deemed deleted, as though not contained, and the remainder of this Agreement shall remain operative and in full force and effect.

4.6 Notices. Except as otherwise specifically provided to the contrary, any and all notices, elections, approvals, consents, demands, requests and responses ("Communications") permitted or required to be given under this Agreement and the Loan Documents shall not be effective unless in writing, signed by or on behalf of the party giving the same, and sent by certified or registered mail, postage prepaid, return receipt requested, or by hand delivery or overnight courier service (such as Federal Express), to the party to be notified at the address of such party set forth below or at such other address within the continental United States as such other party may designate by notice

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specifically designated as a notice of change of address and given in accordance with this Section. Any Communications shall be effective upon the earlier of their receipt or three days after mailing in the manner indicated in this Section. Receipt of Communications shall occur upon actual delivery but if attempted delivery is refused or rejected, the date of refusal or rejection shall be deemed the date of receipt. Any Communication, if given to Lender, must be addressed as follows, subject to change as provided above:

Midland Loan Services  
MBS Administration  
210 West 10th Street  
Kansas City, Missouri 64105  
Attn: Julie Hawkins  
Re: ASW 1995-C1  
Loan No. 009590229

With a copy to:

Bilzin Sumberg Dunn Price & Axelrod LLP  
2500 First Union Financial Center  
Miami, Florida 33131-2336  
Attn: Audrey A. Ellis, Esq.

and, if given to Original Borrower, must be addressed as follows, notwithstanding any other address set forth in the Loan Documents to the contrary, subject to change as provided above:

Mad River Properties, Ltd.  
c/o Beerman Realty Co.  
11 West Monument Building, 8th Floor  
Dayton, Ohio 45402  
Attn: Eric S. Hungerford, Esq.

With a copy to:

Eric S. Hungerford, Esq.  
c/o The Beerman Realty Company  
11 West Monument Building, Suite 800  
Dayton, Ohio 45402

and, if given to New Borrower, must be addressed as follows, subject to change as provided above:

Acadia Mad River Property LLC  
c/o Acadia Realty Trust  
20 Soundview Marketplace  
Port Washington, New York II 050  
Attn: Robert Masters, Esq.

With a copy to:

Robert Masters, Esq.  
c/o Acadia Realty Trust  
20 Soundview Marketplace  
Port Washington, New York 11050

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4.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

4.8 Headings, Exhibits. The headings of the articles, sections and subsections of this Agreement are for the convenience of reference only, are not to be considered a part of this Agreement and shall not be used to construe, limit or otherwise affect this Agreement.

4.9 Modifications . The terms of this Agreement may not be changed, modified, waived, discharged or terminated orally, but only by an instrument or instruments in writing, signed by the Party against whom the enforcement of the change, modification, waiver, discharge or termination is asserted.

4.10 Time of Essence-, Consents. Time is of the essence of this Agreement and the Loan Documents. Any provisions for consents or approvals in this Agreement shall mean that such consents or approvals shall not be effective unless in writing and executed by Lender.

4.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same instrument.

4.12 Submission to Jurisdiction.

(a) BORROWER PARTIES, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, (i) SUBMIT TO PERSONAL JURISDICTION IN THE STATE OF OHIO OVER ANY SUIT, ACTION OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT, THE NOTE, THE MORTGAGE OR ANY OF THE OTHER LOAN DOCUMENTS, (ii) AGREE THAT ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN MONTGOMERY COUNTY, OHIO, (iii) SUBMIT TO THE JURISDICTION OF SUCH COLTRTS, AND, (iv) TO THE FULLEST EXTENT PERMITTED BY LAW, AGREE THAT THEY WILL NOT BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM). BORROWER PARTIES FURTHER CONSENT AND AGREE TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE

PREPAID, TO THE BORROWER PARTIES AT THE ADDRESSES FOR NOTICES DESCRIBED HEREIN, AND CONSENT AND AGREE THAT SUCH SERVICE SHALL CONSTITUTE IN EVERY RESPECT VALID AND EFFECTIVE SERVICE (BUT NOTHING HEREIN SHALL AFFECT THE VALIDITY OR EFFECTIVENESS OF PROCESS SERVED IN ANY OTHER MANNER PERMITTED BY LAW).

(b) BORROWER PARTIES. TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE. RELINQUISH AND FOREVER FOREGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS AGREEMENT, THE LOAN DOCUMENTS, THE INDEBTEDNESS SECURED BY THE

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LOAN DOCUMENTS OR ANY CONDUCT, ACT OR OMISSION OF BORROWER PARTIES OR ANY OF THEIR DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH BORROWER PARTIES IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

The parties have executed and delivered this Agreement as of the day and year first above

Signed, sealed and delivered  
in the presence of

LENDER:

LASALLE NATIONAL BANK FOR THE BENEFIT OF CERTIFICATEHOLDERS  
OF AMERICAN SOUTHWEST FINANCIAL SECURITIES CORPORATION,  
COMMERCIAL MORTGAGE PASS -THROUGH CERTIFICATES, SERIES  
1995-C1

Sign:

By: LENNAR PARTNERS, INC.,  
as attorney-in-fact

Print Name:

By: \_\_\_\_\_  
Ronald E. Schragger, Vice President

STATE OF FLORIDA )  
 ) SS.:  
COUNTY OF MIAMI-DADE )

The foregoing instrument was acknowledged before me this 19 day of February, 1999, by Ronald E. Schragger, as Vice President of Lennar Partners Inc., a Florida corporation, on behalf of said corporation as attorney-in-fact for LASALLE NATIONAL BANK FOR THE BENEFIT OF CERTIFICATEHOLDERS OF AMERICAN SOUTHWEST FINANCIAL SECURITIES CORPORATION, COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 1995-C1. He/She is personally known to me or has produced a Florida driver's license as identification.

-----  
Notary Public, State of Florida

Print Name of Notary:  
Notary's Commission Expires:

Signed, sealed and delivered  
in the presence of:

ORIGINAL BORROWER:

MAD RIVER PROPERTIES LTD., an Ohio

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limited liability company, successor in  
interest to Mad River Ltd., an . Ohio  
limited partnership

By: \_\_\_\_\_  
William S. Weprin, Manager and President

STATE OF FLORIDA )  
 ) SS.:  
COUNTY OF MONROE

I HEREBY CERTIFY that before me personally appeared William S. Weprin, to me well known and known to me to be the President of MAD RIVER PROPERTIES LTD., an Ohio limited liability company, successor in interest to Mad River Ltd., an Ohio limited partnership and he did acknowledge before me that said instrument is the free act and deed by him for the purposes therein expressed.

WITNESS my hand and official seal this 19th day of February, 1999.

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Notary Public. State of Florida  
  
Print name of Notary  
Notary's Commission Expires:

Signed, sealed and delivered  
in the presence of:  
Sign: \_\_\_\_\_

NEW BORROWER:  
  
ACADIA MAD RIVER PROPERTY LLC, a Delaware  
limited liability company  
By: Acadia Realty Limited Partnership, a  
Delaware limited partnership  
By: Acadia Realty Trust, a Maryland real  
estate investment trust, its general  
partner

Print: \_\_\_\_\_

By: \_\_\_\_\_  
Kenneth F. Bernstein, President

STATE OF NEW YORK )  
 ) SS:  
COUNTY OF NASSAU )

I HEREBY CERTIFY that before me, personally appeared Kenneth F. Bernstein, to me well known and known to me to be the President of Acadia Realty Trust, a Maryland real estate investment trust, as the general partner of Acadia Realty Limited Partnership, a Delaware limited partnership, as the sole member of ACADIA MAD RIVER PROPERTY LLC, a Delaware limited liability company, and he did acknowledge before me that said instrument is the free act and deed by him for the purposes therein expressed.

WITNESS my hand and official seal in the County and State last  
aforesaid this 22nd day of February, 1999.

Notary Public

EXHIBIT A  
PROPERTY DESCRIPTION

PARCEL 1:

Situate in the Township of Miami, County of Montgomery, State of Ohio and being Lot numbered FIVE (5) Corrective Record Plan Mad River Station No. 2 as recorded in Plat Book 133, page 3 of the Montgomery County, Ohio Records.

EXCEPTING THEREFROM THE FOLLOWING DESCRIBED REAL ESTATE:

Located in Section 7, Town 1, Range 6 MRS, Miami Township, county of Montgomery, State of Ohio and being a tract of land described as follows:

Being a part of Lot 5 of Mad River Station No. 2 as recorded in Plat Book 133,

page 3, beginning at the northwest corner of Lot 5 of Mad River Station No. 2 as recorded in Book 133, page 3 in the Plat Records of Montgomery County, Ohio;

thence with the north line of said Lot 5, South eighty-seven degrees forty-six minutes thirty-eight seconds (870 461 3811) East for two hundred six and 54/100 (206.54) feet;

then South two degrees thirteen minutes twenty-two seconds (2 13' 22") West for forty and 00/100 (40.00) feet;

thence North eighty-six degrees twenty minutes zero seconds (86 201 00") West for one hundred four and 41/100 (104.41) feet;

thence South two degrees eleven minutes fifty-five seconds (2 111 55") East for forty and 88/100 (40.88) feet to a corner in the west side of said Lot 5;

thence with the west side of said Lot 5 on the following two courses: North eighty-four degrees five minutes fifty-six seconds (84 051 56") West for ninety-nine and 89/100 (99.89) feet and North two degrees fifteen minutes fifty-six seconds (2 10 151 56") West for seventy-one and 93/100 (71.93) feet to the point of beginning, containing 0.265 acres, more or less.

PARCEL 11 (EASEMENT)

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Together with Easement rights created by Reciprocal Easement Agreement between Mad River Ltd., an Ohio Limited Partnership, and CAS III Limited Partnership, an Ohio Limited Partnership, dated February 26, 1993, filed for record October 21, 1993 at 1:57 p.m., and recorded as Deed No. 93-673B08 of the Montgomery County, Ohio Records.

PARCEL III:

Situate in the Township of Miami, county of Montgomery, State of Ohio and being Lots numbered FIVE (5) and SIX (6) Mad River Station 11, Section 2 as recorded in Plat Book 142, page 40 of Montgomery County, Ohio Records.

PARCEL IV:

Situate in the Township of Miami, county of Montgomery, State of Ohio and being Lot numbered one (1) Mad River Station 11 as recorded in Plat Book 131, page 17 of Montgomery County Records.

PARCEL V:

Situate in the Township of Miami, County of Montgomery, State of Ohio and being Lot numbered two (2) Mad River Business Park Section one as recorded in Plat Book 123, page 6 of Montgomery County records.

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South Burlington Outlet Center

THIS MORTGAGE NOTE MODIFICATION AGREEMENT (this "Agreement") is made as of the 5th day of May, 1999, by and between HEATHCOTE ASSOCIATES, a New York limited partnership with an office at 20 Soundview Marketplace, Port Washington, New York 11050 (the "Borrower"), and HUNTOON HASTINGS CAPITAL CORP., a Delaware corporation with an office at 9 Old Kings Highway South, Darien, Connecticut 06820 (the "Lender").

WITNESSETH:

WHEREAS, on August 3, 1995, Borrower executed and delivered to the Lender, among other documents, a Mortgage Note evidencing an indebtedness to the Lender in the principal amount of \$6,100,000.00, which Mortgage Note was heretofore supplemented pursuant to an Addendum to the Mortgage Note (the "Addendum") dated as of August 3, 1995, and which Mortgage Note as so supplemented by the Addendum is herein referred to as the "Note"; and

WHEREAS, the Note is secured by a certain Mortgage, Assignment of Rents and Security Agreement dated August 3, 1995, made by Borrower to the Lender, which was recorded in the City Clerk's Office in South Burlington, Vermont on August 7, 1995, in Volume 380 at Pages 629-660 and is herein referred to as the "Mortgage"; and

WHEREAS, Borrower has filed a Petition under Chapter 11 of the United States Bankruptcy Code (Case No. 97B 44045) in the United State Bankruptcy Court for the Southern District of New York (the Bankruptcy Case"); and

WHEREAS, as of the date hereof, the total principal amount of the indebtedness of the Borrower to the Lender under the Note (the "Principal Sum") is \$5,897,847.79 (the Principal Sum, together with accrued and unpaid interest, as provided in the Note and as allowed by law, as of the date hereof, is hereinafter collectively referred to as the "Indebtedness"); and

WHEREAS, Lender has been requested to consent to certain modifications of the Note and the Mortgage in connection with the confirmation of a certain Plan of Reorganization for Heathcote Associates (the "Plan") proposed by the Official Committee of Unsecured Creditors in the Bankruptcy Case (the "Committee");

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Borrower and the Lender as follows:

1. Indebtedness. (a) The current outstanding principal amount of the Indebtedness due under the Note and secured by the Mortgage is SIX MILLION TWO HUNDRED TWENTY ONE THOUSAND EIGHT HUNDRED NINETY FIVE AND 85/100 DOLLARS (\$6,221,895.85) in lawful money of the United States of America, consisting of the Principal Sum and accrued and unpaid interest thereon, which, as of the date hereof, totals \$324,048.06 and continues to accrue and which the Lender is willing to permit the Borrower to amortize pursuant to paragraph 2 of this Agreement.

(b) The Indebtedness does not include any administrative premiums owed by the Borrower to the Lender on account of the Borrower's failure to make certain payments under the Note which were due and payable prior to the date hereof. Any such administrative premiums owed by the Borrower to the Lender with respect to payments due through and including the date hereof are hereby waived by the Lender; provided, however, that nothing contained herein shall be construed to constitute a waiver of any administrative premiums which may become due to the holder of the Note from and after the date hereof by reason of the Borrower's failure to make payments due under the Note within fifteen (15) days of the date such payments are due.

2. Interest and Payment Adjustments. The manner of payment of the unpaid principal evidenced by the Note and the interest thereon will be modified as follows during, and only during, the period (the "Adjustment Period")

commencing on the date of this Agreement (the effective date of the Plan following its confirmation by the Court in the Bankruptcy Case; the "Effective Date") and ending on the earlier to occur of (i) the second anniversary of the Effective Date and (ii) the date upon which the first payment is made by the Borrower to the holders of the Preferred Return Interest (as defined and set forth in the Amended Plan of Reorganization for Heathcote Associates Proposed by the Official Committee of Unsecured Creditors dated October 9, 1998 (Case No. 97B 44045 (JLG))) (such date being hereinafter referred to as the " Preferred Return Interest Commencement Date"):

a. Interest Rate. Interest shall accrue on the unpaid Indebtedness at the rate of seven and one-half percent (7.5 %) per annum.

b. Payment Adjustment. The monthly installment payment shall consist of interest only and shall be in the amount of THIRTY EIGHT THOUSAND EIGHT HUNDRED EIGHTY SIX AND 85/100 Dollars (\$38,886.85). No portion of any such payment shall be applied to reduce the Principal Sum of the Note.

3. Restoration of Payment Terms. Immediately upon the expiration of the Adjustment Period, without any notice to Borrower of any kind, interest on the unpaid Principal Sum shall again accrue at the rate of nine and seven-eighths percent (9.875 %) per annum and Borrower's monthly installment payments under the Note shall equal Fifty Four Thousand Eight Hundred Ninety Four and 14/100 (\$54,894.14) each, until the entire Indebtedness, if not sooner paid, becomes due and payable on September 1, 2002.

4. Prepayment Provisions. Anything in the Note to the contrary notwithstanding, the Note may not be prepaid, in whole or in part until the date that is the first anniversary of the expiration of the Adjustment Period (i.e. the earlier to occur of (i) the third anniversary of the Effective Date and (ii) the first anniversary of the Preferred Return Interest Commencement Date, following which date the Note may be prepaid in accordance with the provisions of section 1 of the Addendum, but without penalty or premium.

5. Representations and Warranties. In order to induce the Lender to consent to the modification herein contained, Borrower hereby represents, warrants and covenants that (i) there are no offsets, counterclaims or defenses against any sums owed under the Note, the Mortgage, any other documents which wholly or partially secure or guarantee payment of the Note (all of which documents, if any, together with the Note and the Mortgage are collectively referred to herein as the "Loan Documents") or this Agreement (ii) Borrower has full power, authority and legal right to execute this Agreement and to keep and observe all of the terms of this Agreement on Borrower's part to be observed or performed, (iii) Borrower has duly authorized the execution and delivery of this Agreement; (iv) the Loan Documents and this Agreement constitute valid and binding obligations of Borrower, enforceable in accordance with their respective terms, and (v) the Lender has performed any and all obligations to be performed on the part of the Lender pursuant to the Loan Documents to and including the date hereof.

6. Construction. Except as expressly modified by the provisions of this Agreement, all terms, provisions and conditions of the Note are hereby ratified and confirmed and remain in full force and effect. The modifications contained herein shall not constitute a novation, shall not discharge, satisfy, extinguish, terminate, impair or, except as expressly modified in or this Agreement, otherwise affect Borrower's obligations under the Note and shall not discharge, satisfy, extinguish, terminate, impair or otherwise affect the lien, security interest and encumbrance of the Mortgage or the priority thereof.

7. Miscellaneous. This Agreement shall inure to the benefit of and shall be binding upon Borrower and the Lender, and their respective successors and assigns. This Agreement and any provision hereof may not be modified, waived, amended, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or the Lender, but only by an agreement in writing and signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought. This Agreement may be executed in counterparts, each of which is an original, but all of which together shall constitute one and the same instrument. If any term, covenant or condition of this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, this Agreement shall be construed without such provision. This Agreement shall be governed by and construed in accordance with the laws of the State of Vermont and the applicable



laws of the United States of America.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of the parties on the day and year first written above.

WITNESS OR ATTEST

BORROWER:

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HEATHCOTE ASSOCIATES, L.P.

By: Acadia Heathcote LLC  
Its general partner

By: Acadia Realty Limited Partnership  
Its sole member

By: Acadia Realty Trust Its general partner

By: \_\_\_\_\_  
Kenneth F. Bernstein  
President

LENDER:

HUNTOON HASTINGS CAPITAL CORP.

By: \_\_\_\_\_  
Mark L. Perdoncin  
Vice President

STATE OF NEW YORK )

) SS:

COUNTY OF NEW YORK )

On the \_ day of April, 1999, before me personally came Kenneth F. Bernstein, to me known to be the person who executed the foregoing instrument, and who, being duly sworn by me, did depose and say he is the President of ACADIA REALTY TRUST, a New York corporation, and Borrower herein, and that he executed the foregoing instrument its name, and that he had authority to sign

the same, and he acknowledged to me that he executed the same as the act and deed of said corporation for the uses and purposes therein mentioned.

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Notary Public

STATE OF CONNECTICUT )

): SS: Darien

COUNTY OF FAIRFIELD )

On the day of April, 1999, before me personally came Mark L. Perdoncin to me known, who, being by me duly sworn, did depose and say that he is the Vice President of HUNTOON HASTINGS CAPITAL CORP., and that he executed the foregoing instrument in its name, and that he had authority to sign the same, and he acknowledged to me that he executed the same as the act and deed of said corporation for the uses and purposes therein mentioned.

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Notary Public

STATE OF NEWYORK )  
                  )SS:  
COUNTY OF NASSAU )

On this 20th day of April, 1999, before me personally came Kenneth F. Bernstein, to me known, who, being by me duly sworn, did depose and say that he resides in New York; that he is the President of Acadia Realty Trust, the Trust described in and which executed the foregoing instrument, which is the general partner of Acadia Realty Limited Partnership, the sole member of Acadia Heathcote LLC, the general partner of Heathcote Associates, L.P., and that he signed his name thereto by like order and he acknowledged to me that

said instrument was executed by said Trust for and in behalf of said limited partnership.

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Notary Public

PROMISSORY NOTE

U.S. \$14,000,000.00

July 7, 1999

FOR VALUE RECEIVED, and at the times hereinafter specified, ACADIA MERRILLVILLE REALTY, L.P., an Indiana limited partnership ("Maker"), whose address is 20 Soundview Marketplace, Port Washington, New York 11050, hereby promises to pay to the order of SUNAMERICA LIFE INSURANCE COMPANY, an Arizona corporation (hereinafter referred to, together with each subsequent holder hereof, as "Holder"), at I SunAmerica Center, Century City, Los Angeles, California 90067-6022, or at such other address as may be designated from time to time hereafter by any Holder, the principal sum of FOURTEEN MILLION AND NO/100THS DOLLARS (\$14,000,000.00), together with interest on the principal balance outstanding from time to time, as hereinafter provided, in lawful money of the United States of America.

By its execution and delivery of this promissory note (this "Note"), Maker covenants and agrees as follows:

1. Definitions. For purposes of this Note, the following terms shall have the meanings ascribed to them below. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Mortgage (hereinafter defined).

(a) "Business Day" shall have the meaning ascribed to it in Section 8 of this Note.

(b) "Conversion Date" shall mean the first day of the month following the date on which the LIBOR Rate is converted to the Remaining Term Fixed Rate pursuant to Section 3 of this Note.

(c) "Effective Rate" shall mean:

(i) for the period commencing on the date hereof through and including July 31, 1999, seven and thirty-six hundredths percent (7.36)% per annum;

(ii) for the period commencing on August 1, 1999, and continuing through the day immediately preceding the Conversion Date, if any, or if the Conversion Date does not occur, through the Original Maturity Date, the LIBOR Rate; and

(iii) for the period commencing on the Conversion Date, if any, and continuing through the Original Maturity Date, the Remaining Term Fixed Rate.

(d) "LIBOR Determination Date" shall mean July 29, 1999, and each succeeding date that is two (2) Business Days prior to the commencement date of a LIBOR Period.

(e) "LIBOR Index" shall mean the rate per annum for United States dollar deposits quoted as the London Inter-Bank Offered Rate ("LIBOR") as reported by Telerate News Service on the LIBOR Determination Date for delivery of funds on such LIBOR Determination Date for a period comparable to the LIBOR Period and in an amount approximately equal to the principal amount of this Note outstanding on such date.

(f) "LIBOR Period" shall mean the three-month period commencing on August 1, 1999 ("the LIBOR Period Commencement Date"), and each succeeding three-month period, and commencing on the first day of November, February, May and August.

(g) "LIBOR Rate" shall mean a rate per annum equal to the sum of the LIBOR Index plus the Margin.

(h) "Margin" shall mean two and five hundredths percent

(2.05%) per annum.

(i) "Original Maturity Date" shall mean August 1, 2002.

(j) "Principal and Interest Calculation" shall mean the recalculation of combined payments of principal and interest on each LIBOR Determination Date, based on the amount of principal balance outstanding on such LIBOR Determination Date, which shall bear interest at the LIBOR Rate, as determined for such LIBOR Period, and re-amortized for each LIBOR Period based on the Original Amortization Period minus the number of months actually elapsed from the LIBOR Period Commencement Date.

(k) "Remaining Term Fixed Rate" shall mean a rate per annum equal to the sum of the Remaining Term Index plus the Margin.

(l) "Remaining Term Index" shall mean the yield on the U.S. Treasury Constant Maturity Series maturing on the Original Maturity Date, for the week prior to the Conversion Date, as reported in Federal Reserve Statistical Release H.15 Selected Interest Rates, conclusively determined by Holder on the Conversion Date.

## 2. Interest Rate and Payments.

(a) The balance of principal outstanding from time to time under this Note shall bear interest at a rate per annum, based on actual days in the year divided by a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each, equal to the Effective Rate in effect from time to time.

(b) Interest only on the outstanding principal balance of this Note shall be payable on the date hereof, in advance, for the period from and including the date hereof through and including July 31, 1999.

(c) Commencing on September 1, 1999, and on the first day of each month thereafter through and including July 1, 2002, combined payments of principal and interest shall be payable, in arrears, in an amount sufficient to fully amortize the original principal amount of this Note over a three hundred month amortization period (the "Original Amortization Period").

(d) For periods during which the LIBOR Rate shall be in effect, the amount of the combined monthly payments of principal and interest shall be recalculated based on the Principal and Interest Calculation, as of the beginning of each LIBOR Period, and the LIBOR Rate shall be consecutively redetermined and established as of the applicable LIBOR Determination Date, effective as of the first day of the next succeeding calendar month, which shall be deemed to be the first day of the next succeeding LIBOR Period.

(e) The entire outstanding principal balance, together with all accrued and unpaid interest and all other sums due hereunder, shall be due and payable in full on August 1, 2002 (the "Original Maturity Date").

## 3. Additional LIBOR Provisions.

(a) If Holder at any time shall determine that for any reason adequate and reasonable means do not exist for ascertaining the LIBOR Rate, then Holder shall promptly give notice thereof to Maker. If such notice is given and until such notice has been withdrawn by Holder, then (i) no new LIBOR Rate shall be set by Holder, and (ii) any portion of the outstanding principal balance hereof which bears interest at the LIBOR Rate, subsequent to the end of the LIBOR period applicable thereto, shall bear interest at the Remaining Term Fixed Rate.

(b) If any law, treaty, rule, regulation or determination of a court or governmental authority or any change therein or in the interpretation or application thereof (each, a "Change in Law") shall make it unlawful for Holder (i) to make LIBOR based interest rate options available hereunder, or (ii) to maintain interest rates based on LIBOR, then in the former event, any obligation of Holder to make available such unlawful LIBOR-based interest rate shall immediately be cancelled, and in the latter event, any such unlawful LIBOR-based interest rates then outstanding shall be converted to the Remaining Term Fixed Rate; provided, however, that if any such change in law shall permit

any LIBOR-based interest rates to remain in effect until the expiration of the term thereof applicable thereto, then such permitted LIBOR-based interest rates shall continue in effect until the expiration of such term. Upon the occurrence of any, of the foregoing events, Maker shall pay to Holder immediately upon demand such amounts as may be necessary to compensate Holder for any fines, fees, charges, penalties or other costs incurred or payable by Holder as a result thereof and which are attributable to any LIBOR-based interest rate made available to Maker hereunder, and any reasonable allocation made by Holder among its operations shall be conclusive and binding upon Maker.

(c) if any Change in Law or compliance by Holder with any request or directive (whether or not having the force of law) from any central bank or other governmental authority shall:

(i) subject Holder to any tax, duty or other charge with respect to any LIBOR-based interest rate, or change the basis of taxation of payments to Holder of principal, interest, fees or any other amount payable hereunder (except for changes in the rate of tax on the overall net income of Holder); or

(ii) impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances or loans by, or any other acquisition of funds by any office of Holder; or

(iii) impose on Holder any other condition;

and the result of any of the foregoing is to increase the cost to Holder of making, renewing or maintaining any LIBOR-based interest rate hereunder and/or to reduce any amount receivable by Holder in connection therewith, then in any such case, Maker shall pay to Holder immediately upon demand such amounts as may be necessary to compensate Holder for any additional costs incurred by Holder and/or reductions in amounts received by Holder which are attributable to such LIBOR-based interest rate. In determining which costs incurred by Holder and/or reductions in amounts received by Holder are attributable to any LIBOR-based interest rate made available to Maker hereunder, any reasonable allocation made by Holder among its operations shall be conclusive and binding upon Maker.

#### 4. Holder's Extension Option; Net Operating Income.

(a) If Maker shall fail to pay the outstanding principal balance of this Note and all accrued interest and other charges due hereon at the Original Maturity Date, Holder shall have the right, at Holder's sole option and discretion, to extend the term of the loan evidenced by this Note (the "Loan") for an additional period of five (5) years (the "Extension Term"). If Holder elects to extend the term of the Loan, Maker shall pay all fees of Holder incurred in connection with such extension, including, but not limited to, attorneys' fees and title insurance premiums. Maker shall execute all documents reasonably requested by Holder to evidence and secure the Loan, as extended, and shall obtain and provide to Holder any title insurance policy or endorsement requested by Holder.

(b) Should Holder elect to extend the term of 'the Loan as provided above, Holder shall (i) reset the interest rate borne by the then-existing principal balance of the Loan to a rate per annum (the "New Rate") equal to Holder's (or comparable lenders', if Holder is no longer making such loans) then-prevailing interest rate for five (5) year loans secured by properties similar to the Property (hereinafter defined), as determined by Holder in its sole discretion; (ii) re-amortize the then-existing principal balance of the Loan over the remaining portion of the Amortization Period (the "New Amortization Period"); (iii) have the right to require Maker to enter into modifications of the non-economic terms of the Loan Documents as Holder may request (the "Non-Economic Modifications"); and (iv) notwithstanding any provision set forth in the Loan Documents to the contrary, have the right to require Maker to make monthly payments into escrow for insurance premiums and real property taxes, assessments and similar governmental charges. Hence, monthly principal and interest payments during the Extension Term shall be based upon the New Rate, and calculated to amortize fully the outstanding principal balance of the Loan over the New Amortization Period.

(c) If Holder elects to extend the term of the Loan,

Holder shall advise Maker of the New Rate on or prior to the Original Maturity Date.

(d) In addition to the required monthly payments of principal and interest set forth above, commencing on the first day of the second month following the Original Maturity Date and continuing on the first day of each month thereafter during the Extension Term (each an "Additional Payment Date"), Maker shall make monthly payments to Holder in an amount equal to all Net Operating Income (hereinafter defined) attributable to the Property for the calendar month ending on the last day of the month that is two months preceding each such Additional Payment Date. For example, assuming the Original Maturity Date is January 1, then Net Operating Income for the period from January 1 through January 31 shall be payable to Holder on March 1; Net Operating Income for the period from February 1 through February 28 shall be payable to Holder on April 1, and so on.

(e) Holder shall deposit all such Net Operating Income received from Maker into an account or accounts maintained at a financial institution chosen by Holder or its servicer in its sole discretion (the "Deposit Account") and all such funds shall be invested in a manner acceptable to Holder in its sole discretion. All interest, dividends and earnings credited to the Deposit Account shall be held and applied in accordance with the terms hereof.

(f) On the third Additional Payment Date and on each third Additional Payment Date thereafter, Holder shall apply all Excess Funds (hereinafter defined), if any, to prepayment of amounts due under this Note, without premium or penalty.

(g) As security for the repayment of the Loan and the performance of all other obligations of Maker under the Loan Documents, Maker hereby assigns, pledges, conveys, delivers, transfers and grants to Holder a first priority security interest in and to: all Maker's right, title and interest in and to the Deposit Account; all rights to payment from the Deposit Account and the money deposited therein or credited thereto (whether then due or in the future due and whether then or in the future on deposit); all interest thereon; any certificates, instruments and securities, if any, representing the Deposit Account; all claims, demands, general intangibles, choses in action and other rights or interests of Maker in respect of the Deposit Account; any monies then or at any time thereafter deposited therein; any increases, renewals, extensions, substitutions and replacements thereof, and all proceeds of the foregoing.

(h) From time to time, but not more frequently than monthly, Maker may request a disbursement (a "Disbursement") from the Deposit Account for capital expenses, tenant improvement expenses, leasing commissions and special contingency expenses. Holder may consent to or deny any such Disbursement in its sole discretion.

(i) Upon the occurrence of any Event of Default (hereinafter defined) (i) Maker shall not be entitled to any further Disbursement from the Deposit Account; and (ii) Holder shall be entitled to take immediate possession and control of the Deposit Account (and all funds contained therein) and to pursue all of its rights and remedies available to Holder under the Loan Documents, at law and in equity.

(j) All of the terms and conditions of the Loan shall apply during the Extension Term, except as expressly set forth above, and except that no further extensions of the Loan shall be permitted.

(k) For the purposes of the foregoing:

(i) "Excess Funds" shall mean, on any Additional Payment Date, the amount of funds then existing in the Deposit Account (including any Net Operating Income due on the applicable Additional Payment Date), less an amount equal to the sum of three regularly scheduled payments of principal and interest due on this Note;

(ii) "Net Operating, Income" shall mean, for any particular period of time, Gross Revenue for the relevant period, less Operating Expenses for the relevant period; provided, however, that if such amount is equal to or less than zero (0), Net Operating Income shall equal zero (0);

(iii) "Gross Revenue" shall mean all payments and other revenues (exclusive, however, of any payments attributable to sales taxes) received by or on behalf of Maker from all sources related to the ownership or operation of the Property, including, but not limited to, rents, room charges, parking fees, interest, security deposits (unless required to be held in a segregated account), business interruption insurance proceeds, operating expense passthrough revenues and common area maintenance charges, for the relevant period for which the calculation of Gross Revenue is being made; and

(iv) "Operating Expenses" shall mean the sum of all ordinary and necessary operating expenses actually paid by Maker in connection with the operation of the Property during the relevant period for which the calculation of Operating Expenses is being made, including, but not limited to, (a) payments made by Maker for taxes and insurance required under the Loan Documents, and (b) monthly debt service payments as required under this Note.

#### 5. Budgets During Extension Term.

(a) Within fifteen (15) days following the Original Maturity Date and on or before December 1 of each subsequent calendar year, Maker shall deliver to Holder a proposed revenue and expense budget for the Property for the remainder of the calendar year in which the Original Maturity Date occurs or the immediately succeeding calendar year (as applicable). Such budget shall set forth Maker's projection of Gross Revenue and Operating Expenses for the applicable calendar year, which shall be subject to Holder's reasonable approval. Once a proposed budget has been reviewed and approved by Holder, and Maker has made all revisions requested by Holder, if any, the revised budget shall be delivered to Holder and shall thereafter become the budget for the Property hereunder (the "Budget") for the applicable calendar year. If Maker and Holder are unable to agree upon a Budget for any calendar year, the budgeted Operating Expenses (excluding extraordinary items) provided in the Budget for the Property for the preceding calendar year shall be considered the Budget for the Property for the subject calendar year until Maker and Holder agree upon a new Budget for such calendar year-

(b) During the Extension Term, Maker shall operate the Property in accordance with the Budget for the applicable calendar year, and the total of expenditures relating to the Property exceeding one hundred and five percent (105%) of the aggregate of such expenses set forth in the Budget for the applicable time period shall not be treated as Operating Expenses for the purposes of calculating "Net Operating Income," without the prior written consent of Holder except for emergency expenditures which, in the Maker's good faith judgment, are reasonably necessary to protect, or avoid immediate danger to, life or property.

#### 6. Reports During Extension Term.

(a) During the Extension Term, Maker shall deliver to Holder all financial statements reasonably required by Holder to calculate Net Operating Income, including, without limitation, a monthly statement to be delivered to Holder concurrently with Maker's payment of Net Operating Income that sets forth the amount of Net Operating Income accompanying such statement and Maker's calculation of Net Operating Income for the relevant calendar month. Such statements shall be certified by an executive officer of Maker or Maker's manager, managing member or general partner (as applicable) as having been prepared in accordance with the terms hereof and to be true, accurate and complete in all material respects.

(b) In addition, on or before February 1 of each calendar year during the Extension Term, Maker shall submit to Holder an annual income and expense statement for the Property which shall include the calculation of Gross Revenue, Operating Expenses and Net Operating Income for the preceding calendar year and shall be accompanied by Maker's reconciliation of any difference between the actual aggregate amount of the Net Operating Income for such calendar year and the aggregate amount of Net Operating Income for such calendar year actually remitted to Holder. All such statements shall be certified by an executive officer of Maker or Maker's manager, managing member or general partner (as applicable) as having been prepared in accordance with the terms hereof and to be true, accurate and complete in all material respects. If any such annual financial statement discloses any inconsistency between the calculation of Net Operating Income and the amount of Net Operating Income

actually remitted to Holder, Maker shall immediately remit to Holder the amount of any underpayment of Net Operating Income for such calendar year or, in the event of an overpayment by Maker, such amount may be withheld from any subsequent payment of Net Operating Income required hereunder.

(c) Holder may notify Maker within ninety (90) days after receipt of any statement or report required hereunder that Holder disputes any computation or item contained in any portion of such statement or report. If Holder so notifies Maker, Holder and Maker shall meet in good faith within twenty (20) days after Holder's notice to Maker to resolve such disputed items. If, despite such good faith efforts, the parties are unable to resolve the dispute at such meeting or within ten (10) days thereafter, the items shall be resolved by an independent certified public accountant designated by Holder within fifteen (15) days after such ten (10) day period. The determination of such accountant shall be final. All fees of such accountant shall be paid by Maker. Maker shall remit to Holder any additional amount of Net Operating Income found to be due for such periods within ten (10) days after the resolution of such dispute by the parties or the accountant's determination, as applicable. The amount of any overpayment found to have been made for such periods may be withheld from any required future remittance of Net Operating Income.

(d) Maker shall at all times keep and maintain full and accurate books of account and records adequate to reflect correctly all items required in order to calculate Net Operating Income.

#### 7. Prepayment.

(a) During the first (1st) year after the date of this Note, Maker shall have no right to prepay all or any part of this Note.

(b) At any time after the first (1st) anniversary of the date of this Note, Maker shall have the right to prepay the principal amount of this Note, in whole or in part, and all accrued but unpaid interest hereon as of the date of prepayment, provided that (i) Maker gives not less than thirty (30) days' prior written notice to Holder of Maker's election to prepay this Note, and (ii) Maker pays a prepayment premium to Holder equal to one-half percent (1/2%) of the principal amount of this Note being prepaid, calculated as of the prepayment date.

(c) Holder shall notify Maker of the amount and basis of determination of the prepayment premium. Holder shall not be obligated to accept any prepayment of the principal balance of this Note unless such prepayment is accompanied by the applicable prepayment premium and all accrued interest and other sums due under this Note.

(d) If Holder accelerates this Note for any reason, then in addition to Maker's obligation to pay the then outstanding principal balance of this Note and all accrued but unpaid interest thereon, Maker shall pay an additional amount equal to the prepayment premium that would be due to Holder if Maker were voluntarily prepaying this Note at the time that such acceleration occurred, or if under the terms hereof no voluntary prepayment would be permissible on the date of such acceleration, Maker shall pay a prepayment premium calculated as set forth in the Mortgage

(e) Notwithstanding the foregoing, (i) at any time during the Extension Term, Maker shall have the right to prepay the full principal amount of this Note and all accrued but unpaid interest thereon as of the date of prepayment, without prepayment premium thereon, and (ii) no prepayment premium shall be due in connection with the application of any insurance proceeds or condemnation awards to the principal balance of this Note, as provided in the Mortgage.

8. Dates of Payments. Whenever any payment to be made under this Note shall be stated to be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under the laws of the State of Indiana (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day.

#### 9. Default Rate.



(a) The entire balance of principal, interest, and other sums due upon the maturity hereof, by acceleration or otherwise, shall bear interest from the date due until paid at the greater of (i) fifteen percent (15 %) per annum and (ii) a per annum rate equal to five percent (5%) over the prime rate (for corporate loans at large United States money center commercial banks) published in The Wall Street Journal on the first business day of each month (the "Default Rate"); provided, however, that such rate shall not exceed the maximum permitted by applicable state or federal law. In the event The Wall Street Journal is no longer published or no longer publishes such prime rate, Holder shall select a comparable reference.

(b) If any payment under this Note is not made within five days of the date when due, interest shall accrue at the Default Rate from the date such payment was due until payment is actually made.

10. Late Charges. In addition to interest as set forth herein, Maker shall pay to Holder a late charge equal to four percent (4%) of any amounts due under this Note in the event any such amount is not paid when due.

11. Application of Payments. All payments hereunder shall be applied first to the payment of late charges, if any, then to the payment of prepayment premiums, if any, then to the repayment of any sums advanced by Holder for the payment of any insurance premiums, taxes, assessments, or other charges against the property securing this Note (together with interest thereon at the Default Rate from the date of advance until repaid), then to the payment of accrued and unpaid interest, and then to the reduction of principal.

12. Immediately Available Funds. Payments under this Note shall be payable in immediately available funds without setoff, counterclaim or deduction of any kind, and shall be made by electronic funds transfer from a bank account established and maintained by Maker for such purpose.

13. Security. This Note is secured by a Mortgage, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents of even date herewith granted by Maker for the benefit of the named Holder hereof (the "Mortgage") encumbering certain real property and improvements thereon commonly known as Merrillville Plaza as more particularly described in such Mortgage (the "Property").

14. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Mortgage.

15. Event of Default. Each of the following events will constitute an event of default (an "Event of Default") under this Note and under the Mortgage and each other Loan Document, and any Event of Default under any Loan Document shall constitute an Event of Default hereunder and under each of the other Loan Documents:

(a) any failure to pay within five days of the date when due any sum hereunder;

(b) any failure of Maker to properly perform any obligation contained herein or in any of the other Loan Documents (other than the obligation to make payments under this Note or the other Loan Documents) and the continuance of such failure for a period of thirty (30) days following written notice thereof from Holder to Maker; provided, however, that if such failure is not curable within such thirty (30) day period, then, so long as Maker commences to cure such failure within such thirty (30) day period and is continually and diligently attempting to cure to completion, such failure shall not be an Event of Default unless such failure remains uncured for sixty (60) days after such written notice to Maker; or

(c) if, at any time during the Extension Term, Gross Revenue for any calendar month shall be less than ninety-three percent (93%) of the amount of projected Gross Revenue for such month set forth in the applicable Budget.

16. Acceleration. Upon the occurrence of any Event of Default, the entire balance of principal, accrued interest, and other sums owing hereunder shall, at the option of Holder, become at once due and payable without

notice or demand. Upon the occurrence of an Event of Default described in Section 15(c) hereof, Holder shall have the option, in its sole discretion, to either (a) exercise any remedies available to it under the Loan Documents, at law or in equity, or (b) require Maker to submit a new proposed budget for Holder's approval. If Holder agrees to accept such new proposed budget, then such budget shall become the Budget for all purposes hereunder.

17. Conditions Precedent. Maker hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute this Note the legal, valid and binding obligation of Maker, enforceable in accordance with the terms hereof, have been done and performed and happened in due and strict compliance with all applicable laws.

18. Certain Waivers and Consents. Maker and all parties now or hereafter liable for the payment hereof, primarily or secondarily, directly or indirectly, and whether as endorser, guarantor, surety, or otherwise, hereby severally (a) waive presentment, demand, protest, notice of protest and/or dishonor, and all other demands or notices of any sort whatever with respect to this Note, (b) consent to impairment or release of collateral, extensions of time for payment, and acceptance of partial payments before, at, or after maturity, (c) waive any right to require Holder to proceed against any security for this Note before proceeding hereunder, (d) waive diligence in the collection of this Note or in filing suit on this Note, (e) waive relief from applicable valuation and appraisal laws; and (f) agree to pay all costs and expenses, including reasonable attorneys' fees, which may be incurred in the collection of this Note or any part thereof or in preserving, securing possession of, and realizing upon any security for this Note.

19. Usury Savings Clause. The provisions of this Note and of all agreements between Maker and Holder are, whether now existing or hereinafter made, hereby expressly limited so that in no contingency or event whatever, whether by reason of acceleration of the maturity hereof, prepayment, demand for payment or otherwise, shall the amount paid, or agreed to be paid, to Holder for

the use, forbearance, or detention of the principal hereof or interest hereon, which remains unpaid from time to time, exceed the maximum amount permissible under applicable law, it particularly being the intention of the parties hereto to conform strictly to Indiana and Federal law, whichever is applicable. If from any circumstance whatever, the performance or fulfillment of any provision hereof or of any other agreement between Maker and Holder shall, at the time performance or fulfillment of such provision is due, involve or purport to require any payment in excess of the limits prescribed by law, then the obligation to be performed or fulfilled is hereby reduced to the limit of such validity, and if from any circumstance whatever Holder should ever receive as interest an amount which would exceed the highest lawful rate, the amount which would be excessive interest shall be applied to the reduction of the principal balance owing hereunder (or, at Holder's option, be paid over to Maker) and shall not be counted as interest. To the extent permitted by applicable law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of this Note, all interest at any time contracted for, charged, or received from Maker in connection with this Note and all other agreements between Maker and Holder, so that the actual rate of interest on account of the indebtedness represented by this Note is uniform throughout the term hereof.

20. Non-Recourse-, Exceptions to Non-Recourse. Except as expressly hereinafter set forth, the recourse of Holder with respect to the obligations evidenced by this Note shall be solely to the Property, Chattels, and Intangible Personalty (as such terms are defined in the Mortgage). Notwithstanding anything to the contrary contained in this Note or in any Loan Document, nothing shall be deemed in any way to impair, limit or prejudice the rights of Holder (a) in foreclosure proceedings or in any ancillary proceedings brought to facilitate Holder's foreclosure on the Property or any portion thereof, (b) to recover from Maker damages or costs (including without limitation reasonable attorneys' fees) incurred by Holder as a result of waste by Maker; (c) to recover from Maker any condemnation or insurance proceeds attributable to the Property which were not paid to Holder or used to restore the Property in accordance with the terms of the Mortgage; (d) to recover from Maker any rents, profits, security deposits, advances, rebates, prepaid rents or

other similar sums attributable to the Property collected by or for Maker following an Event of Default under any Loan Document and not properly applied to the reasonable fixed and operating expenses of the Property, including payments of this Note; (e) to pursue the personal liability of Maker under the provisions of Section 5.10 of the Mortgage, including any indemnification provisions under such Section; (f) to exercise any specific rights or remedies afforded Holder under any other provisions of the Loan Documents or by law or in equity (or to recover under any guarantee agreement given in connection with this Note); (g) to recover from Maker the amount of any accrued taxes, assessments, and/or utility charges affecting the Property (whether or not the same have been billed to Maker) that are either unpaid by Maker or paid by Holder under the Mortgage and to collect from Maker any sums expended by Holder in fulfilling the obligations of Maker, as lessor, under any leases affecting the Property; (h) to pursue any personal liability of Maker and/or Guarantor under the Environmental Indemnity Agreement; and (i) to recover from Maker the amount of any loss suffered by Holder (that would otherwise be covered by insurance) as a result of Maker's failure to maintain any insurance required under the terms of any Loan Document. The agreement contained in this paragraph to limit the personal liability of Maker shall become null and void and be of no further force and effect in the event (i) that the Property or any part thereof or any interest therein, or any interest in Maker, shall be further encumbered by a voluntary lien securing any obligation upon which Maker or any general partner, principal or affiliate of Maker shall be personally liable for repayment, whether as obligor or guarantor;

(ii) of any breach or violation of Section 5.4, 5.5 or 5.7 of the Mortgage; (iii) of any fraud or misrepresentation by Maker in connection with the Property, the Loan Documents or the application made by Maker for the Loan; or (iv) of any execution, amendment, modification or termination of any lease of any portion of the Property without the prior written consent of Holder if such consent is required under the terms of the Loan Documents. For purposes of the foregoing, "affiliate" shall mean any individual, corporation, trust, partnership or any other person or entity controlled by, controlling or under common control with Maker. A person or entity of any nature shall be presumed to have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another person or entity, whether through ownership of voting securities, by contract, or otherwise.

21. Severability. If any provision hereof or of any other document securing or related to the indebtedness evidenced hereby is, for any reason and to any extent, invalid or unenforceable, then neither the remainder of the document in which such provision is contained, nor the application of the provision to other persons, entities, or circumstances, nor any other document referred to herein, shall be affected thereby, but instead shall be enforceable to the maximum extent permitted by law.

22. Transfer of Note. Each provision of this Note shall be and remain in full force and effect notwithstanding any negotiation or transfer hereof and any interest herein to any other Holder or participant.

23. Governing Law. Regardless of the place of its execution, this Note shall be construed and enforced in accordance with the laws of the State of Indiana.

24. Time of Essence. Time is of the essence of this Note.

25. Remedies Cumulative. The remedies provided to Holder in this Note, the Mortgage and the other Loan Documents are cumulative and concurrent and may be exercised singly, successively or together against Maker, the Property, and other security, or any guarantor of this Note, at the sole and absolute discretion of the Holder.

26. No Waiver. Holder shall not by any act or omission be deemed to waive any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth therein. A waiver of one event shall not be construed as continuing or as a bar to or waiver of any right or remedy granted to Holder hereunder in connection with a subsequent event.

27. Joint and Several Obligation. If Maker is more than one person or entity, then (a) all persons or entities comprising Maker are jointly and severally liable for all of the Maker's obligations hereunder; (b) all

representations, warranties, and covenants made by Maker shall be deemed representations, warranties, and covenants of each of the persons or entities comprising Maker; (c) any breach, Default or Event of Default by any of the persons or entities comprising Maker hereunder shall be deemed to be a breach, Default, or Event of Default of Maker; and (d) any reference herein contained to the knowledge or awareness of Maker shall mean the knowledge or awareness of any of the persons or entities comprising Maker.

28. WAIVER OF JURY TRIAL. MAKER AND HOLDER KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, THE MORTGAGE, OR ANY OTHER LOAN DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO OR TO ANY LOAN DOCUMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR MAKER AND HOLDER TO ENTER INTO THE LOAN TRANSACTION EVIDENCED BY THIS NOTE.

29. WAIVER OF PREPAYMENT RIGHT WITHOUT PREMIUM MAKER HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE UNDER APPLICABLE LAW TO PREPAY THIS NOTE, IN WHOLE OR IN PART, WITHOUT PREPAYMENT PREMIUM, UPON ACCELERATION OF THE MATUMTY DATE OF THIS NOTE, AND AGREES THAT, IF FOR ANY REASON A PREPAYMENT OF ALL OR ANY PART OF THIS NOTE IS MADE, WHETHER VOLUNTARILY OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE OF THIS NOTE BY HOLDER ON ACCOUNT OF THE OCCURENCE OF ANY EVENT OF DEFAULT ARISING FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, AS A RESULT OF ANY PROHIBITED OR RESTRICTED TRANSFER, FURTHER ENCUMBRANCE OR DISPOSITION OF THE PROPERTY OR ANY PART THEREOF SECURING THIS NOTE, THEN MAKER SHALL BE OBLIGATED TO PAY, CONCURRENTLY WITH SUCH PREPAYMENT, THE PREPAYMENT PREMIUM PROVIDED FOR IN THIS NOTE OR, IN THE EVENT OF PREPAYMENT FOLLOWING ACCELERATION OF THE MATURITY DATE HEREOF WHEN THIS NOTE IS CLOSED TO PREPAYMENT, AS PROVIDED IN THE MORTGAGE. MAKER HEREBY DECLARES THAT HOLDER'S AGREEMENT TO MAKE THE LOAN AT THE INTEREST RATE AND FOR THE TERM SET FORTH IN THIS NOTE CONSTITUTES ADEQUATE CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY MAKER, FOR THIS WAIVER AND AGREEMENT.

IN WITNESS WHEREOF and intending to be legally bound, Maker has duly executed this Note as of the date first above written.

ACADIA MERRILLVILLE REALTY, L.P.,  
an Indiana limited partnership

By: ACADIA MERRILLVILLE REALTY, INC., an Indiana corporation, its sole General Partner

By: \_\_\_\_\_  
Kenneth F. Bernstein  
President

PACESETTER/RAMAPO ASSOCIATES,

Maker,

and

M&T REAL ESTATE, INC.,

Holder,

MORTGAGE AND NOTE MODIFICATION AGREEMENT

Dated as of February 27, 1998

This instrument affects real and personal property situated in the State of New York, in Section 4, Lot 13F1 on the Tax Map of The Town of Ramapo, Rockland County, known as the Pacesetter Shopping Center, 1581 Route 202, Pomona, New York 10970

RECORD AND RETURN TO:

KRASHES, ROSS, GESS & BROWN  
Attorneys at Law  
52 South Main Street  
Spring Valley, NY 10977

MORTGAGE AND  
NOTE-MODIFICATION AGREEMENT

THIS MORTGAGE AND NOTE MODIFICATION AGREEMENT (this "Agreement") dated as of the 27th day of February 1998, between M&T REAL ESTATE, INC., a New York corporation having its chief executive office at One Fountain Plaza, Buffalo, New York 142032399 ("Holder"), and PACESETTER/RAMAPO ASSOCIATES, a New York limited partnership having its office at 1281 East Main Street, Stamford, Connecticut 06902 ("Maker").

WHEREAS, Holder made a loan (the "Loan") to Maker in the amount of \$4,900,000.00 as evidenced by a Mortgage Note dated February 21, 1997 made by Maker in Favor of Holder (the "Note"); and

WHEREAS, the Note is secured by the mortgages described on the Schedule of Mortgages attached hereto and made a part hereof (collectively, the "Mortgage"), encumbering those premises as described on Exhibit A attached hereto and made a part hereof; and

WHEREAS, Holder and Maker have agreed to modify and amend the terms of the Note and the mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Holder and Maker agree as follows:

1. The outstanding principal balance of the Note as of the date hereof is FOUR MILLION EIGHT HUNDRED SEVEN THOUSAND SEVEN HUNDRED FORTY ONE AND 79/100 (\$4,807,741.79).

2. The Note is hereby modified and amended as follows:

a. On page one of the Note, in the provision which is captioned "Term," the word "six" is deleted and the word "one" is substituted therefore and the words "March 1, 2003" are deleted and the words "March 1, 1999" are substituted therefore.

b. On page one of the Note, the provision which is captioned "Interest" is deleted (as is the corresponding addendum provision 1) in its entirety and the provision captioned "Repayment of Principal and Interest" is deleted in its entirety, and the following provisions are substituted therefor:

REPAYMENT OF PRINCIPAL AND INTEREST

Maker shall pay the principal sum and interest owing to Holder, its successors and/or assigns, in installments as follows:

- (1) By the payment On March 1 , 1998 of \$30,692.09 representing the installment of interest equal in amount to the interest on the unpaid principal balance from February 1, 1998 to the date of this Agreement at the fixed rate of 8.2%, plus the installment of interest equal in amount to the interest which will accrue at the fixed rate of 8.18% per annum during the period beginning on the date of this Agreement and ending on the last calendar day of February, 1998
  
- (2) 11 consecutive level monthly payments consisting of both principal and interest at the fixed rate of 8.18% per annum, with principal amortized over a period of twenty years, each installment of principal and interest being in the amount of \$40,754.13, shall become due and payable on the 1st day of each month commencing on April 1, 1998, and one final installment of principal, interest and expenses to become due on the 1st day of March, 1999 (the "Maturity Date").

The amount due on the Maturity Date will be equal to the total of the outstanding unpaid principal sum and all accrued and unpaid interest, premiums, late charges, if any, and all other amounts owing pursuant to the Note and the Mortgage.

Maker may extend the Maturity Date each year at maturity for one, two, three or four additional years from the original Maturity Date set forth above, provided the Maturity Date may not be extended beyond March 1, 2003, pursuant to this subparagraph (b). The interest rate during any extended period will be set two business days prior to any extension date, as follows:

EXTENSION TERM	RATE
One year	275 basis points over the 1 year Treasury Bill rate in effect two business days prior to maturity.
Two years	275 basis points over the 2 year Treasury Bill rate in effect two business days prior to maturity.
Three years	275 basis points over the 3 year Treasury Bill rate in effect two business days prior to maturity.
Four years	275 basis points over the 4 year Treasury Bill rate in effect two business days prior to maturity.

The monthly payment for principal and interest during any Extension Term will be calculated using the principal balance remaining to be paid over the remaining portion of the original twenty year amortization period.

c. The provision on page one of the Note captioned "Prepayment" is deleted (as is the first paragraph of the corresponding addendum provision 3) and the following is substituted therefore:

PREPAYMENT PRIVILEGES:

Maker may prepay the unpaid principal balance at any time in whole or in part upon payment of a prepayment penalty equal to 1% of the principal amount prepaid during the first one year term hereof.

If the loan is extended for one year terms set forth herein the prepayment penalty during any such one year extension periods shall be 1% of the principal amount prepaid.

If the loan is extended for either two, three or four year terms, the prepayment penalty will match the number of years remaining to the new Maturity Date. For example, two years: 2% during the first year and 1% during the second

year. Three years: 3% during the 1st year, 2% during the second and 1% during the third year. Four years: 4% during the first year, 3% during the second year, 2% during the third year and 1% during the fourth year.

Notwithstanding the foregoing there shall be no prepayment charge during the last 60 days of any extended term.

3 . Wherever in the Note or the Mortgage or any other documents evidencing or securing the Loan, reference is made to "the Note" or "the Mortgage", the same shall mean (and the definitions thereof are amended to be) the Note and the Mortgage as modified and amended by this Agreement and as the same may hereafter be modified, amended, renewed or substituted from time to time.

4. To the extent any terms of the Note or the Mortgage are inconsistent with any of the provisions of this Agreement, the provisions of this Agreement shall control and govern, and such inconsistent Note or Mortgage terms shall be deemed modified to conform to the provisions hereof.

5. Except as herein expressly modified and amended, all of the terms covenants and conditions of the Note and the Mortgage shall remain unmodified and in full force and effect.

6. This Agreement shall be binding on, and inure to the benefit of, Maker and Holder and their respective successors and assigns.

7. The party of the first part's recourse for the satisfaction of the obligations and liabilities of the party of the second part under this Agreement and any other documents evidencing or securing the loan will be limited solely to the party of the second part's interest in the real property and any structures thereon and neither the party of the second part nor its partners will have any personal liability under this Agreement or any other loan documents.

IN WITNESS WHEREOF, Holder and Maker have duly executed this Agreement as of the date first written above.

M & T REAL ESTATE, INC.  
BY: MANUFACTURERS AND TRADERS TRUST  
COMPANY,  
Attorney in Fact

By: \_\_\_\_\_  
JILL E. SODERHOLM  
Vice President

PACESETTER/RAMAPO ASSOCIATES,  
A NEW YORK LIMITED PARTNERSHIP

By: AmCap, Incorporated,  
General Partner

By: \_\_\_\_\_  
STEVEN BOLLERMAN,  
Treasurer

STATE OF NEW YORK )  
SS.  
COUNTY OF WESTCHESTER)

On this 27th day of February, 1998 before me personally came JILL E. SODERHOLM, to me known who, being by me duly sworn, did depose and say that she resides at 707 Westchester Avenue, White Plains, NY; that she is a Vice President of Manufacturers and Traders Company, Attorney-In-Fact for M&T REAL ESTATE, INC., by virtue of a Power of Attorney recorded in the Rockland County Clerk's Office in Book 751 at Page 3811 on October 5, 1995 which is the corporation described in and which executed the foregoing instrument; and that she signed her name by order of directors of said corporation

BERTRAM P. KRASHES  
Notary Public. State of New York

No. 2194220  
Qualified in Rockland County

Commission Expires February 28, 1998

STATE OF NEW YORK )  
)SS:  
COUNTY OF WESTCHESTER)

On the 27th day of February, 1998 before me personally came STEVEN BOLLERMAN, to me known, who, being by me duly sworn, did depose and say that he resides at 1281 East Main Street, Stamford, Connecticut; that he is the Treasurer of AmCap, Incorporated, the corporation described in and which executed the foregoing instrument as general partner of PACESETTER/RAMAPO ASSOCIATES, the partnership named in the foregoing instrument; that he signed his name thereto by authority of the board of directors of said corporation; and that he executed such instrument as the act and deed of, and on behalf of, said partnership acting through its corporate general partner.

BERTRAM P. KRASHES  
Notary Public. State of New York  
No. 2194220  
Qualified in Rockland County

Commission Expires February 28, 1998

#### SCHEDULE OF MORTGAGES

MORTGAGE (1) Mortgage made by PACESETTER BANK SHOPPING CENTER, to UNITED JERSEY BA.NY./NORTHWEST in the principal amount of \$2,300,000.00 dated June 22, 1976 and recorded in the Rockland County Clerk's Office in Liber 1117 of Mortgages at Page 945 on June 22, 1976 and on which mortgage there was paid mortgage tax in the amount of \$17,250.00, and

which mortgage (1) was assigned by UNITED JERSEY BANK/NORTHWEST to THE HOWARD SAVINGS BANK by Assignment of Mortgage dated January 18, 1978 recorded in the Rockland County Clerk's Office in Liber 1157 of Mortgages at Page 70 on February 21, 1978, and

MORTGAGE (2) Mortgage made by PACESETTER PARK SHOPPING CENTER, INC. to THE HOWARD SAVINGS BANK in the principal amount of \$400,000.00 dated February 15, 1978 and recorded in the Rockland County Clerk's office in Liber 1157 of Mortgages at Page 65 on February 21, 1978, and on which mortgage there was paid mortgage tax in the amount of \$4,000.00, and

which mortgages (1) and (2) were modified by a Mortgage Modification Agreement made by THE HOWARD SAVINGS BANK with AGRIPPINA PROPERTY, INC., dated December 10, 1980 and recorded in the Rockland County Clerk's Office in Liber 1243 of Mortgages at Page 537 an January 22, 1981, and

which mortgages (1) and (2) were thereafter assigned by THE HOWARD SAVINGS BANK to THE TRUSTEES OF MELLON PARTICIPATING MORTGAGE TRUST COMMERCIAL PROPERTIES SERIES 85/10 by Assignment of Mortgage dated December 30, 1985 recorded in the Rockland County Clerk's Office in Book 126 of Land Records at Page 2692 an January 2, 1986, and

MORTGAGE (3) Mortgage made by PACESETTER/RAMAPO ASSOCIATES, A NEW YORK LIMITED PARTNERSHIP, BORROWER, AMCAP INCORPORATED, A NEW



JERSEY CORPORATION, OWNER, TO THE TRUSTEES OF MELLON PARTICIPATING MORTGAGE TRUST COMMERCIAL PROPERTIES SERIES 85/10 in the principal amount of \$1,696,241.02 dated December 27, 1985 recorded in the Rockland County Clerk's Office in Book 126 of Land Records at Page 2697 an January 2, 1986, and on which mortgage there was paid mortgage tax of.\$16,962.00, and

which mortgages (1) (2) and (3) were consolidated and spread by Agreement of Spreader, Consolidation and Modification of Mortgage and Note in the principal amount of \$4,200,000.00 made between PACESETTER/RAMAPO ASSOCIATES, AMCAP INCORPORATED, and THE TRUSTEES OF MELLON PARTICIPATING MORTGAGE TRUST COMMERCIAL PROPERTIES SERIES 85/10 dated December 27, 1985 and

recorded in the Rockland County Clerk's office in Book 126 of Land Records at Page 2709 on January 2, 1986, as amended by First Amendment to Agreement of Spreader, Consolidation and Modification of Mortgage and Note dated August 25, 1993 recorded in the Rockland County Clerk's Office on September 27, 1993 in Book 643 of Land Records at Page 2029, and Second Amendment to Agreement of Spreader, Consolidation and Modification of Mortgage dated August 3, 1995 and recorded in the Rockland County Clerk's Office in book 748 of Land Records at Page 400 on August 8, 1995, and

which mortgages (1) (2) and (3) were further assigned by THE TRUSTEES OF MELLON PARTICIPATING MORTGAGE TRUST COMMERCIAL PROPERTIES SERIES 85/10 to SCHNITTMAN & SCHNITTMAN by Assignment and Assumption of Mortgage, Assignment of Leases, and Note, dated August 3, 1995 and recorded in the Rockland County Clerk's office in Book 748 of Land Records at Page 411 on August 8, 1995, and

which mortgages (1) (2) and (3) were further assigned by SCHNITTMAN & SCHNITTMAN to M&T REAL ESTATE, INC. by Assignment of Mortgage dated February 14, 1997, and recorded in the Rockland County Clerk's office on March 12, 1997 as Instrument Number 1997-00009746, and

MORTGAGE (4)

Mortgage made by PACESETTER/RAMAPO ASSOCIATES to M&T REAL ESTATE, INC. in the principal amount of \$700,000.00 dated February 21, 1997 and recorded in the Rockland County Clerk's Office on March 12, 1997 as Instrument Number 1997-00009680 and on which mortgage there was paid mortgage tax of \$7,.000.00, and

which mortgages (1) (2) (3) and (4) were consolidated into a single first mortgage lien in the consolidated principal amount of \$4,900,000.00 by Consolidation, Modification and Extension Agreement between M&T REAL ESTATE, INC. and PACESETTER/RAMAPO ASSOCIATES dated February 21, 1997 recorded in the Rockland County Clerk's office on March 12, 1997 as Instrument Number 199700009694

SCHEDULE "A"

All that certain plot, piece or parcel of land situate, lying and being in the Town of Ramapo, County of Rockland and State of New York;

BEGINNING at a point on the southerly side of Route 202 (New York State Highway #1448), said point being the northwesterly corner of the premises, the northeasterly corner of land now or formerly of Broadcast construction Corp. , and said point lying easterly 1673.53 feet from the easterly right of way line of Camp Hill Road and said point lying distant westerly 441.50 feet from New York State Highway monument; and

RUNNING THENCE 1) along the southerly side of Route 202 (New York State 14highway

t1448) in an easterly direction the following two (2) courses and distances:

- a. North 78 degrees 381 5511 East 441.50 feet to a New York State Highway monument;

THENCE

- b. North 78 degrees 111 3511 East 279-01 feet to the northeasterly corner of the premises and to the northwesterly corner of other lands now or formerly of Kanaje corporation;

THENCE 2) South 11 degrees 481 2511 East 140.00 feet along the westerly line of other premises of said Kanaje Corporation; to the southeasterly corner of the premises;

THENCE 3) North 78 degrees 111 3511 East, along the southerly line of said other lands of Kanaje corporation, 86.35 feet to the northwesterly corner of lands occupied by a Pomona Post Office;

THENCE 4) South 11 degrees 481 2511 East along the westerly line of said Post Office and other lands of Kanaje corporation 490.00 feet to the southeasterly corner of the premises;

5) South 78 degrees 111 3511 West along the southerly line of the premises and the northerly line of other lands of Kanaje Corporation; 649.56 feet to the ' southwesterly corner of the premises and to a point in the easterly line of lands now or formerly of Broadcast Construction Corp.;

THENCE 6) Northerly along the westerly line of the premises and the easterly line of lands now or formerly of Broadcast Construction Corp., the following four (4) courses and distances:

a) North 12 degrees 231 4511 East 111.15 feet to a point;

THENCE b) North 32 degrees 361 1511 West 231.96 feet to a point;

THENCE c) North 77 degrees 361 1511 West 210.98 feet to a point;

THENCE d) North 5 degrees 381 5811 East 239.83 feet to the southerly -side of Route 202 (New York State Highway #1448) the northwesterly corner of the premises the northeasterly corner of lands now or formerly of Broadcast Construction Corp., and the point or place of BEGINNING.

TOGETHER WITH THE BENEFITS and SUBJECT TO THE BURDENS OF:

- 1) Easement #2 - Easement to benefit property of Pacesetter Park Shopping Center, Inc. (Area = 118 S. F. or 0.003 Acres)
- 2) Easement #3 - Easement to benefit property of Pacesetter Park Shopping Center, Inc. (Area = 86 S. F. or 0.002 Acres)
- 3) Easement #4 - Fifteen (15) foot wide Utility Easement through lands of Kanaje Corp. (Area - 1402 S. F. or 0.032 Acres)
- 4) Easement #5 - Twenty (20) foot Storm Drain Easement to benefit property of Pacesetter Park Shopping Center, Inc. (Area = 2434 S. F. or 0.056 Acres)

NOTE: The above recited easements are as shown on a certain survey made by Atzl & Scatassa Associates P.C. dated 9-29-76 and last updated by the surveyor on 1-30-78.

SECURED PROMISSORY NOTE  
Date of Note: As of March 23, 1999

Principal Sum: \$7,000,000  
Maturity Date: March 15, 2002

FOR VALUE RECEIVED, ACADIA TOWN LINE, LLC, a Connecticut limited liability company ("Maker"), does hereby covenant and promise to pay to the order of FLEET BANK, NATIONAL ASSOCIATION, a national banking association ("Payee"), at 1133 Avenue of the Americas, New York, New York 10036, or at such other place as Payee may designate to Maker in writing from time to time, in lawful money of the United States of America and in immediately available funds, the lesser of the Principal Sum stated above and the Principal Sum from time to time outstanding hereunder and to pay interest on the Principal Sum from time to time outstanding hereunder in like money and funds as hereinafter provided.

1. Definitions. The following terms, as used in this Note, shall have the meaning indicated opposite them and terms capitalized herein and not otherwise defined herein but defined in the Mortgage shall have the meaning set forth in the Mortgage:

"Acadia" shall mean Acadia Realty Trust, a Maryland business trust.

"Additional Advance" shall have the meaning assigned to such term in PARAGRAPH 5 of this Note.

"Applicable Rate" - either the Prime Rate plus one-half of one (.50%) percent per annum or the LIBOR Rate in effect at any given time pursuant to the terms hereof plus one and three-quarters (1.75%) percent per annum .

"Authorized Representative" - shall mean Maggie Hui, Arnold Wachsberger, Robert Masters or any other person or persons designated by Maker, in a writing delivered to Payee, as an Authorized Representative.

"Business Day" - a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Change in Control" shall mean and include any of the following:

(i) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted Acadia's trustees (together with any new trustees whose election by Acadia's trustees or whose nomination for election by Acadia's shareholders was 03/23/1999 as approved by a vote of at least two-thirds of the trustees then still in office who either were trustees at the beginning of such period or whose election or nomination for election was previously so approved) cease for any, reason to constitute a majority of the trustees then in office;

(ii) any person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "1934 Act")), shall acquire, directly or indirectly, beneficial ownership (within the meaning of Rule 13d-3 and 13d-5 of the 1934 Act) of more than 35%, on a fully diluted basis, of the economic or voting interest in Acadia's shares of beneficial interest (or other equity securities equivalent thereto);

(iii) the full time active employment of Ross Dworman, as chief executive officer of Acadia, and of Kenneth F. Bernstein, as President of Acadia, shall be voluntarily terminated by Acadia or shall otherwise cease, unless a successor acceptable to Payee shall have been appointed or elected and actually taken office within three months following any such termination or cessation, in which case the name of such successor shall be substituted for the name of the person he or she replaces for purposes of this clause (iii);

(iv) the shareholders of Acadia approve a merger or consolidation of Acadia with any other person, other than a merger or consolidation which would result in the voting securities of Acadia outstanding immediately prior thereto

continuing to represent (either by remaining outstanding or by being converted or exchanged for voting securities of the surviving or resulting entity) more than 75% of the combined voting power of the voting, securities of Acadia or such surviving or resulting entity outstanding, after such merger or consolidation;

(v) the shareholders of Acadia approve a plan of complete liquidation of Acadia or an agreement or agreements for the sale or disposition by Acadia of all or substantially all of Acadia's assets; and/or

(vi) any "change in control" or any similar terms as defined in any of the indentures, credit agreements or other instruments governing any indebtedness of Acadia or any of its affiliates.

"Default" - shall mean any act or condition which with the giving of notice or the lapse of time, or both, could become an Event of Default.

"Event of Default" - shall have the meaning assigned to such term in PARAGRAPH 13 of this Note.

"Fixed Rate Acceptance Notice" - shall have the meaning assigned to such term in PARAGRAPH 4(b) hereof.

"Fixed Rate Notice" - Maker's telephonic notice immediately confirmed in writing, which writing may be delivered by telecopier, stating that Maker, subject to delivery by it of a Fixed Rate Acceptance Notice, elects to pay interest on the whole or a portion of the Principal Sum at the LIBOR Rate, as specified in such Notice, and specifying the applicable Interest Period for the LIBOR Advance and the Business Day on which such Interest Period is to begin.

"Guarantor" - shall mean Acadia Realty Limited Partnership, a Delaware limited partnership and the sole member of Maker.

"Interest Period" - with respect to LIBOR Advances, a period of 30, 60, 90, 120 or 180 days (or such other periods as Payee may elect to make available); provided, however, that no such period shall extend beyond the Maturity Date. Any Interest Period which terminates on a non-Business Day shall be deemed, for purposes hereof, to terminate on the next succeeding Business Day.

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"Letter of Credit" shall mean each of (i) that certain \$2,000,000 letter of credit which may hereafter be issued by Payee to a beneficiary designated by Maker in connection with the acquisition of Heathcote Associates, for the account of Maker, and (ii) that certain \$ 1,000,000 letter of credit which may hereafter be issued by Payee to Jack Wertheimer, Jr., as beneficiary, for the account of Maker, as each of the same may be amended or otherwise modified from time to time, and "Letters of Credit" shall mean both Letters of Credit. Each Letter of Credit must be in form and substance reasonably acceptable to Payee.

"Letter of Credit Application" shall mean each Application and Agreement for Standby Letter of Credit to be delivered by Maker to Payee at the time Maker requests that Payee issue a Letter of Credit, as the same may be amended or otherwise modified from time to time, and "Letter of Credit Applications" shall mean both Letter of Credit Applications. Each Letter of Credit Application shall be in the form of EXHIBIT A to this Note.

"LIBOR Advance" - an advance with respect to which the Principal Sum bears interest at the LIBOR Rate plus one and three quarters (1.75%) percent per annum.

"LIBOR Rate" - shall mean, for the applicable Interest Period, the rate per annum determined by Payee (any such determination to be conclusive, absent manifest error) on the basis of the offered rates for Eurodollar deposits in an amount approximating the proposed LIBOR Advance and having a maturity equal to the proposed Interest Period appearing on the Telerate Screen page 5 (or the successor page reference thereto) as of approximately 11:00 AM (London time) two Business Days before the date on which such Interest Period shall commence. If at least two such offered rates appear on the Telerate Screen page 5 or associated pages, the rate in respect of such Interest Period will be the arithmetic mean (rounded up to the nearest 1/16)) of such offered rates. If no

such rate appears, the rate in respect of such Interest Period 'II be the rate specified as LIBOR on the Reuters Screen LIBO page as of such date for such Interest Period (in an amount equal to the portion of the Principal Sum with respect to which the LIBOR Rate is determined).

"Liquid Net Worth" shall mean unencumbered "cash and short term investments at cost" and "investments in marketable securities" (which shall be marked to market) as shown by Acadia's financial statements (calculated in a manner consistent with Acadia's statements for the period ending, September 31, 1998).

"Loan" - loans of up to the Principal Sum made and/or to be made to Maker by Payee and evidenced hereby.

"Maturity Date" - shall mean March 15, 2002.

"Mortgage" - that certain Open-Ended Mortgage Deed, Security Agreement and Assignment of Rents and Leases of even date herewith by Maker to Payee, as the same may be amended, modified, supplemented and otherwise in effect from time to time.

"Mortgaged Premises" - shall have the meaning assigned to such term in the Mortgage.

"Net Worth" shall mean the net worth of Acadia as shown on its financial statements, and as subsequently determined in accordance with the accounting principles, I consistently applied, used in Acadia's statements as of September 30, 1998.

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"Note" - this Secured Promissory Note, as the same may be amended or otherwise modified from time to time.

"Person" shall mean and include any individual corporation, partnership unincorporated association, trust, governmental agency or authority or other entity.

"Prime Rate" - means the rate which Payee publicly announces from time to time as its Prime Rate. The Prime Rate shall be adjusted from time to time when and as the Prime Rate shall change. The Prime Rate is determined from time to time by Payee as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index, nor does it necessarily reflect the lowest rate of interest actually charged by Payee to any customer class or category of its customers. Payee may make commercial or other loans at rates of interest at, above or below the Prime Rate.

"Prime Rate Advance" - an advance with respect to which the Principal Sum or a portion thereof bears interest at the Prime Rate plus one-half of one (.50%) percent per annum.

"Regulation D" - Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect, including any successor or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Reserve Percentage" - the maximum aggregate reserve requirement (including, without limitation, all basic, marginal, emergency, supplemental, special or other reserves and taking into account any transitional requirements) as specified in Regulation D that Payee determines would be applicable on that day to new nonpersonal time deposits in the United States in an amount equal to or in excess of \$100,000 with a maturity approximately equal to that of the applicable Interest Period. The LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage.

"Security Documents" - shall have the meaning assigned to such term in PARAGRAPH 16 of this Note.

2. Amortization and Interest; Facility Fee. (a) The Principal Sum of this Note shall be payable in accordance with the following provisions: Commencing on May 1, 1999 and on the first day of each month thereafter, Maker will pay, on account of the Principal Sum, the amount which would be payable on a self-liquidating mortgage-style amortization schedule based on a \$4,000,000

loan, a loan maturity of March 1, 2024 and an interest rate of 8.0% per annum. Upon the making of each Additional Advance, the amortization schedule shall be recalculated such that immediately upon the making of each Additional Advance the monthly principal payments shall be recalculated based on the Principal Sum outstanding after the making of the Additional Advance, a loan maturity of March 1, 2024 and an interest rate of 8.0% per annum and such revised amortization schedule shall be applicable to the payment due on the first day of the month immediately following the making of the Additional Advance and each month thereafter, unless and until such schedule is revised in accordance herewith. The initial amortization schedule is set forth as EXHIBIT B to this Note. The fact that such EXHIBIT or that the amortization schedule from time to time in effect is based on a schedule which extends beyond the Maturity Date shall not entitle Maker to an extension of the Maturity Date. The prepayment premium provided for in PARAGRAPH 10 hereof shall not be applicable to any such scheduled monthly payments. Any voluntary prepayments applied to principal shall be applied in the inverse order of maturity.

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(b) Interest on the outstanding Principal Sum shall accrue from and including the date of the advance to but excluding the date of any repayment or prepayment thereof and shall be payable in arrears on (i) the first day of each calendar month, commencing April 1, 1999, (ii) on the date of any prepayment (on the amount prepaid), (iii) on the Maturity Date, and (iv) after maturity (whether by acceleration or otherwise) on demand. All interest calculations provided for herein shall be made on the basis of a 360-day year and the actual number of days elapsed.

(c) Maker authorizes Payee to record on SCHEDULE I annexed hereto the information with respect to any Loan and any payments and prepayments of the Principal Sum made by Maker and such notations shall be presumed to be correct and binding subject to rebuttal by Maker only by clear and convincing evidence; provided, however, that the failure of Payee to make any such notation shall not limit or otherwise affect the obligation of Maker to repay the Principal Sum nor alter or impair any of the other obligations of Maker hereunder or under the Security Documents.

(d) Concurrently with the execution and delivery of this Note, Maker shall pay Payee a non-refundable facility fee of \$70,000.

3. Maturity Date. The outstanding Principal Sum and all accrued and unpaid interest thereon shall be due and payable on the Maturity Date.

4. Selection of Rate.

(a) Except as provided in PARAGRAPHS 4(b) and 15, the outstanding Principal Sum shall bear interest at a rate per annum equal to the Prime Rate plus one-half of one (.50%) percent.

(b) Provided there is no Default and/or Event of Default under this Note, the Security Document(s) or any other document or Instrument delivered as additional security for this Note, Maker may elect to pay interest on the entire or any portion of the outstanding Principal Sum (subject to the minimum amount limitations set forth herein and the requirements set forth below) at a rate per annum equal to the LIBOR Rate plus one and three quarters (1.75%) percent per annum applicable to the Interest Period elected by Maker from (and including) the first day of each Interest Period to (but not including) the last day of such Interest Period. Maker shall, subject to delivery by it of a Fixed Rate Acceptance Notice, elect that the entire or any portion of the outstanding Principal Sum be treated as a LIBOR Advance pursuant to a Fixed Rate Notice. Payee must receive such Fixed Rate Notice prior to 11:00 A.M., New York City time, on a Business Day at least three (3) Business Days prior to:

(1) the last day of an Interest Period (in the case of an outstanding LIBOR Advance); or

(2) any Business Day elected by Maker in its Fixed Rate Notice (in the case of a conversion of a Prime Rate Advance to a LIBOR Advance) for the commencement of the applicable Interest Period.

If Maker fails to give a Fixed Rate Notice at least three (3) Business Days prior to the end of an Interest Period, then, on the last day of the Interest Period, the outstanding LIBOR Advance shall convert to a Prime Rate Advance. On

the date specified in the Fixed Rate Notice as the date on which the applicable Interest Period is to begin, Payee shall notify Maker's Authorized Representative by telephone (such notice to be promptly confirmed in writing) or by telex, which notice shall specify the date, the proposed LIBOR Rate and the period of time on such date during which such rate is to be available. If Payee

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falls to specify the period for which such quoted rate is available, then such rate shall be deemed to be available only for thirty minutes from the time Payee, orally or in writing, notifies Maker's Authorized Representative of such rate. If Maker then wishes to obtain such Loan at such LIBOR Rate, it shall promptly give notice to Payee to such effect (the "Fixed Rate Acceptance Notice"), which notice shall be irrevocable and may be by telephone, promptly confirmed in writing.

(c) Without in any way limiting Maker's obligation to confirm in writing any telephonic Fixed Rate Notice or Fixed Rate Acceptance Notice, Payee may, prior to receipt of written confirmation, act without liability on the basis of telephonic notice which it believes in good faith to be from Maker and, in any event, Payee may act without liability on the basis of telephonic or written notice which it believes in good faith to be from Maker.

5. Conditions to Additional Advances. In addition to the initial \$4,000,000 advance on the Loan on the date hereof, Maker shall have the option, prior to September 15, 2001 and subject to the other terms and conditions of this Note, of requesting from Payee up to eight (8) additional advances (each, an "Additional Advance") on the Loan, with each Additional Advance to be in the amount of \$200,000 plus \$ 1 00,000 increments and with the aggregate of all Additional Advances not to exceed \$3,000,000. The obligation of Payee to make the Additional Advances hereunder is subject to the satisfaction, on or before March 15, 2001, of each of the following conditions precedent:

(a) An Authorized Representative shall give Payee at least five (5) Business Days prior written notice, specifying the date of the proposed borrowing. Any such notice which is oral shall promptly be confirmed in a writing signed by an Authorized Representative and delivered to Payee. Payee may rely on any oral or written request for a Loan which Payee believes to be genuine and shall be fully protected in doing so without any requirement to make further inquiry.

(b) After giving effect to the Additional Advance, there shall exist no Default and/or Event of Default, including, without limitation, no Default and/or Event of Default under PARAGRAPHS I 1(a) (1) or (2) of this Note and, for this purpose, compliance with such covenants shall, prior to the making of the proposed Additional Advance, be recalculated (using the most recently available Appraised Value and Net Operating Income) as if the Additional Advance has been made.

(c) All representations and warranties contained herein, or otherwise made in writing in connection herewith or in any of the Security Documents, by or on behalf of Maker or any other Person to Payee, shall be true and correct, in all respects, with the same force and effect as if made on and as of the date of the Additional Advance.

(d) The beneficiary of a Letter of Credit shall have delivered a writing to Maker, in form and substance satisfactory to Maker, consenting to a reduction in the undrawn amount of the Letter of Credit held by such beneficiary by an amount equal to or exceeding the amount of the Additional Advance.

(e) If reasonably requested by Payee, Payee shall have received an endorsement to its existing title insurance policy insuring the Mortgage to be a first lien, securing the Loan (including the Additional Advance), against the Mortgaged Premises, subject only to those matters which have been approved by Payee and its counsel.

6. Conditions to Issuance of Letters of Credit. Maker shall have the option, prior to March 15, 2000, and subject to the other terms and conditions of this Note, of requesting that Payee issue either or both of the Letters of Credit. The obligation of Payee to issue either or both of the Letters of Credit

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is subject to the satisfaction, on or before March 15, 2000, of each of the following conditions precedent:

(a) An Authorized Representative shall give Payee at least ten (10) Business Days prior written notice, specifying the date the Letter of Credit is to be issued. Each such notice shall be accompanied by a fully completed executed Letter of Credit Application and a draft of the form of the Letter of Credit which Maker is requesting that Payee issue. No Letter of Credit shall have an expiry date of later than March 15, 2002.

(b) After giving effect to the issuance of such Letter of Credit, there shall exist no Default and/or Event of Default, including, without limitation, no Default and/or Event of Default under PARAGRAPHS I (a) (1) or (2) of this Note and, for this purpose, compliance with such covenants shall, prior to the issuance of such Letter of Credit, be recalculated (using the most recently available Appraised Value and Net Operating Income) as if such Letter of Credit had been issued.

(c) All representations and warranties contained herein, or otherwise made in writing in connection herewith or in any of the Security Documents, by or on behalf of Maker or any other Person to Payee, shall be true and correct, in all respects, with the same force and effect as if made on and as of the date such Letter of Credit is to be issued.

(d) If reasonably requested by Payee, Payee shall have received an endorsement to its existing title Insurance policy insuring the Mortgage to be a first lien, securing the Loan (including the undrawn face amount of the Letter of Credit being issued), against the Mortgaged Premises, subject only to those matters which have been approved by Payee and its counsel.

(e) Maker shall have paid Payee the initial non-refundable Letter of Credit fee of one (1%) percent of the face amount of the Letter of Credit, and Maker hereby confirms its obligation to pay to Payee, annually in advance on the anniversary of the issuance of each Letter of Credit, a fee of one (1 %) percent of the then face amount of such outstanding Letter of Credit.

7. Payment of Interest on and Number of LIBOR Advances. If a LIBOR Advance is outstanding, then in addition to the monthly payments of interest required under PARAGRAPH 2(b) hereof, all accrued and unpaid interest, if any, on such LIBOR Advance shall be due and payable on the last day of the Interest Period. In no event may there be more than three(3) Interest Periods in effect at any one time, and the entire Principal Sum outstanding must bear interest at the same Applicable Rate.

8. Suspension of the LIBOR. If Payee determines that Payee's making or maintaining LIBOR Advances is unlawful for any reason, then Payee may suspend the availability of the LIBOR Rate and immediately convert any outstanding LIBOR Advance to a Prime Rate Advance. Payee shall immediately notify Maker of any such conversion and Maker shall pay to Payee, on demand, (i) all accrued and unpaid interest on the LIBOR Advance to the date of such conversion, plus (ii) such amounts as Payee shall require to compensate it for the costs of converting any such LIBOR Advance to a Prime Rate Advance. The certificate of Payee as to any amounts payable pursuant to this PARAGRAPH shall, absent manifest error, be final, conclusive and binding on Maker. No Fixed Rate Notices electing the LIBOR Rate shall be given by Maker thereafter until Payee determines that LIBOR Advances would be lawful.

9. Increases in Cost. In the event that at any time or from time to time any domestic or foreign requirement of law, regulation, order or decree or any change therein or in the interpretation or application thereof or compliance by Payee with any request or directive (whether or not having the force of law)

from any governmental, fiscal, monetary or other authority (i) does or shall subject Payee to any tax, duty, charge or withholding on or from payments due from Maker (excluding taxation of the income of Payee); or (ii) does or shall impose, modify or hold applicable or change any reserve (including, without limitation, basic, supplemental, marginal, special or emergency reserves but not including reserve requirements already taken into account in calculating the LIBOR Rate), special deposit, compulsory deposit or similar requirement with respect to assets of, deposits with or for the account of, advances or loans by,



or other credit extended by, or any other acquisition of funds by Payee; or (iii) does or shall impose on Payee any other condition or change therein and the result of any of the foregoing is to increase the cost to Payee of making available to Maker, converting from or to, or maintaining LIBOR Advances, then, and in any such event, Payee shall notify Maker in writing, of such occurrence setting forth in reasonable detail the basis for and amounts of such increased costs, and Maker shall pay to Payee, on demand, such amounts as will compensate Payee for such increased costs. The certificate of Payee as to any amounts payable pursuant to this PARAGRAPH shall, absent manifest error, be final, conclusive and binding on Maker.

10. Prepayment.

(a) On any Business Day during the term hereof that the Applicable Rate is the Prime Rate plus one-half of one percent (.50%) per annum or on a date which is the last day of an Interest Period, upon not less than five (5) days written notice to Payee specifying the date on which prepayment is to be made, Maker shall have the privilege of prepaying, without payment of a premium or penalty, that portion of the unpaid balance of the Principal Sum, in whole or in part, as to which the Applicable Rate is the Prime Rate plus one-half of one (.50%) percent or as to which an Interest Period is ending, which parts shall be in integral multiples of \$50,000 together with all accrued and unpaid interest on the Principal Sum so prepaid to the date of prepayment, and together also with accrued and unpaid interest or other sums or charges, if any, then due and owing hereunder or under the Security Document(s), provided that any such prepayment shall be in a minimum amount of not less than \$250,000.

(b) (1) At any time during the term hereof that the Applicable Rate is the LIBOR Rate plus one and three-quarters (1.75%) percent, upon not less than five (5) days prior written notice to Payee, Maker shall have the privilege of prepaying the unpaid balance of the Principal Sum, in whole or in part, which parts shall be in integral multiples of \$50,000, prior to the last day of an Interest Period upon the required notice as aforesaid, provided that any such prepayment shall be in a minimum amount of not less than \$250,000 and provided further that in addition to the payment of the whole or portion of the Principal Sum so to be prepaid, all accrued and unpaid interest thereon and all other sums due hereunder or under the Security Document(s), Maker shall pay Payee any costs or expenses Payee incurs with respect to the termination of any LIBOR contract and/or SWAP contract that Payee or its designee has entered into to borrow funds in order to fund the Loan plus a prepayment premium calculated in accordance with the following formula:

(a) Upon prepayment, Lender shall determine whether there is a fixed rate yield maintenance premium due by subtracting the Redemption Treasury Rate from the Fixed Rate (as such terms are defined below). If the Redemption Treasury Rate is equal to or greater than the Fixed Rate, no fixed rate yield maintenance premium will be due.

(b) However, if the Redemption Treasury Rate is less than the Fixed Rate, a fixed rate yield maintenance premium will be computed by Payee as follows:

$$\frac{(F-R) \times P \times D}{360}$$

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(c) Payee shall discount (at the Redemption Treasury) the resulting number to the net present value thereof, i.e., as if such sum were received in equal monthly installments from the date of prepayment to the Maturity Date. To determine present value, the discount rate shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) For purposes of computing the fixed rate yield maintenance premium, the following definitions govern:

- "F" or "Fixed Funds Rate" means the LIBOR Rate applicable to the Loan being repaid plus one and three-quarters (1.75%) percent.
- "R" or "Redemption Treasury Rate" means at the time of prepayment, the rate of interest per annum equal to the most recently published quotations of yields to maturity of U.S.

Treasury obligations (bills on a discounted basis shall be converted to a bond equivalent), as published weekly by the Federal Reserve Board in the Federal Reserve Statistical release, trading closest to par value and with a maturity date comparable to the end of the applicable Interest Period.

-- "P" means the amount of the Loan being prepaid.

-- "D" means the number of days remaining until the end of the applicable Interest Period.

(e) Any payment required of Maker of the Principal Sum or any portion thereof after acceleration of the Maturity Date pursuant to any provisions hereof or of the Security Document(s) shall be deemed a voluntary prepayment for the purposes hereof, and if a LIBOR Advance is then outstanding, Maker shall be required, on demand, to pay the prepayment premium, if any, calculated as aforesaid.

(c) Any payments of the Principal Sum received by Payee pursuant to the terms of this PARAGRAPH 10 shall be applied in the following order of priority: (i) first, to any accrued interest which is due and unpaid as of the date of such payment; and (ii) second, to the outstanding Principal Sum in the inverse order of maturity.

(d) Notwithstanding anything in this Note to the contrary, the Loans hereunder are not revolving loans. Therefore, Maker may not borrow, repay and reborrow hereunder.

#### 11. Special Covenants.

(a) (1) As of December 31, 1999 and as of each subsequent December 31, the outstanding Principal Sum of the Loan plus the undrawn face amount of the Letters of Credit shall not exceed sixty (60%) percent of the Appraised Value (as hereinafter defined) of the Mortgaged Premises; and

(2) as of the end of each Accounting Period, the Net Operating Income (as hereinafter defined) of the Mortgaged Premises for each Accounting Period shall equal or exceed 1.4 times the Projected Debt Service Expense (as hereinafter defined) for the immediately following twelve month period.

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(b) Within ninety (90) days after the end of each Accounting Period, Maker shall furnish to Payee detailed calculations of Net Operating Income and Projected Debt Service Expense for the Accounting Period then ended and upon which satisfaction of the provisions of PARAGRAPH 1 (a) (2) are to be determined, and certified as true and accurate, in a manner acceptable to Payee, by the chief financial officer of the Guarantor as having been prepared under his supervision in accordance with the Accounting Principles (as hereinafter defined) consistently applied and with the definition of Net Operating Income and Projected Debt Service Expense and that he knows of no facts inconsistent with such calculations.

(c) (1) "Accounting Period" - shall mean the twelve month periods ending on June 30, 1999 and on December 31, 1999 and the twelve month periods ending on each subsequent June 30 and December 31.

(d) "Accounting Principles" - shall mean the accounting principles utilized in the preparation of the operation statements for the Mortgaged Premises heretofore delivered to Payee.

(1) "Appraised Value" - shall mean the appraised value of the Mortgaged Premises, as determined by an independent appraiser selected by Payee and reasonably acceptable to Maker. Payee may require that such an appraisal be performed at any time, but not more frequently than once in any twelve month Period. Appraised Value shall be determined utilizing an appraisal method consistent with that used in determining the Appraised Value for Payee in connection with this Loan. Maker shall solely be responsible for the cost of such appraisal.

(2) "Full Force and Effect" - shall mean, as to any lease, that

such lease shall be in full force and effect, there shall be no material default by the tenant thereunder or default by the landlord thereunder or other act or condition or circumstance giving or which may give, without the giving of any further notice, the tenant or the landlord the right to terminate any lease and, if requested by Payee and required by its lease, the tenant shall have delivered to Payee an estoppel certificate in form and substance reasonably satisfactory to Payee.

(3) "Net Operating Income" - shall mean, with respect to the applicable Accounting Period, the aggregate rental and other receipts (unless excluded pursuant hereto) of the Mortgaged Premises during such period less the aggregate amount of all operating expenses of the Mortgaged Premises during, such period, in each case determined in accordance with the Accounting Principles. For purposes of the determination of Net Operating Income, operating expenses shall include, without limitation, all real estate taxes (but not in excess of the pro rata portion of such real estate taxes applicable to the Accounting Period covered by the statement), water and sewer charges, utility charges, insurance premiums (but not in excess of the amounts applicable to the Accounting Period covered by the statement), salaries and benefits of all employees engaged in the operation, maintenance or management of Mortgaged Premises, all costs of ordinary and necessary maintenance, cleaning and repair, costs of snow and rubbish removal and security services. Net Operating Income shall, however, (a) exclude from receipts all amounts paid to Maker for tenant alterations in connection with the leasing, of space in the Project ' all amounts payable to Maker under leases with Affiliates of Maker, as tenant, or with Maker, as tenant (unless Payee otherwise agrees) and, with respect to any lease providing for a reduction in the rentals payable under such lease at any time during the term thereof, base rentals in excess of the lowest base rentals payable under such lease (other than during any period of rent concessions made with respect to consecutive monthly periods commencing with the first month of the term of such lease), and (b) exclude from expenses payments of principal and interest of the Loan, capital expenditures, leasing commissions, and other

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expenses payable to Payee pursuant to this Note or any of the Security Documents. Net Operating Income shall be determined without regard to extraordinary items of income and of expense. Each lease, the rental or other income from which was included in the calculations of Net Operating Income, must in Full Force and Effect as of the date Net Operation Income is being determined.

(4) "Projected Debt Service Expense" - shall mean the amount which, as at the end of each Accounting Period, Maker would be projected to pay for principal and interest on a principal amount equal to the sum of the then outstanding(y Principal Sum of the Note plus the undrawn face amount of the Letters of Credit for the twelve months immediately following the end of such Accounting Period, assuming for this purpose (A) that the interest rate for such twelve month period shall be the greater of the ten-year treasury note rate in effect on the date Projected Debt Service Expense is being calculated plus two and one-quarter (2.25%) percent, 7.5% per annum and the weighted average interest rate payable on the Loans as of the date Projected Debt Service Expense is being determined, and (B) that the principal is payable in accordance with a twenty-five year self-liquidating mortgage-style amortization schedule using the interest rate determined pursuant to the preceding clause (A),

12. Leasing Standards. Maker covenants and agrees that no Space Lease (as such term is defined in the Mortgage) will be consummated without the prior written approval thereof by Payee, unless such Space Lease (i) is prepared and executed on a commercially reasonable lease form submitted to and approved, in writing, by Payee, with such approval not to be unreasonably withheld or delayed, and Payee's approval of immaterial changes to the form approved by Payee shall not be required; and (ii) (x) provides for terms and conditions, including as to rentals and other economic terms and the creditworthiness of the tenant, which are approved by Payee, with such approval not to be unreasonably withheld or delayed, or (y) is of less than 4,000 rentable square feet and is on commercially reasonable terms and conditions, including as to rentals and other economic terms and creditworthiness of the tenant. Notwithstanding the foregoing, if a Default and/or Event of Default shall be continuing, Maker will not enter into Space Leases without Maker's prior written approval thereof. which approval Payee may withhold in its sole discretion.

13. Distributions. During the continuance of an Event of Default, Maker

shall be prohibited from making distributions to its members, and if no Events of Default exist Maker may make distributions to its members.

14. Events of Default. The occurrence of any one or more of the following events shall constitute an event of default (an "Event of Default") hereunder and under the Security Documents:

(a) failure of Maker (x) to pay, for a period of ten (10) days after the same becomes due (i) any installment of interest and/or principal under this Note, or (ii) any other payment, including, without limitation, any letter of credit fees, required hereunder or under any of the other Security Documents or under any supplement, modification or extension hereof or thereof, or (y) to pay the final principal balance of this Note when due, whether upon the stated maturity date set forth therein, upon acceleration of such Principal Sum or otherwise, together with accrued and unpaid interest thereon; or

(b) if any of Maker's representations or warranties contained herein or in any of the Security Documents shall be untrue or incorrect in any respect at the time made, or if any such warranty or representation intended to be a continuing one shall become untrue or incorrect in any material respect and Maker shall fail to remedy such situation within thirty (30) days after notice from Payee (or immediately upon notice in case of emergency); or

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(c) if Maker shall commence a voluntary case concerning, itself under Title 1 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Maker and the petition is not controverted within thirty (30) days, or is not dismissed within ninety (90) days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of Maker; or Maker commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Maker or there is commenced against Maker any such proceeding which remains undismissed for a period of ninety (90) days; or Maker is adjudicated insolvent or bankrupt; or any order of relief of other order approving any such case or proceeding is entered; or Maker suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of ninety (90) days; or Maker makes a general assignment for the benefit of creditors; or Maker shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or Maker shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or

(d) if any execution, warrant, attachment, garnishment or other similar processes shall be levied or filed against the Mortgaged Premises or any part thereof, or against Maker which involve claims aggregating more than \$100,000 and such processes shall not be stayed, vacated or discharged, such as by bonding, within ninety (90) days after the same shall have been levied or filed; or

(e) except as otherwise provided in PARAGRAPH 14(i) below, if Maker shall fail to perform or observe, or cause to be performed or observed, any other term, obligation, covenant, condition or agreement contained in this Note or in any of the Security Documents, or in any assignment of leases and rents or in any other instrument executed concurrently herewith by Maker and/or Guarantor or supplemental hereto, pertaining to the debt evidenced by this Note or the security therefor, or under any supplement, modification or extension of any of the foregoing, on its part to be performed and such failure shall have continued for a period of thirty (30) days after notice thereof; provided, however, if such default shall not have been occasioned by any willful act of Maker, and if such default cannot with due diligence be cured within such thirty (30) days period, the time within which to cure the same shall be extended for such period as may be necessary to cure the same with due diligence if Maker commences within such thirty (30) days and proceeds diligently to cure the same; or

(f) (i) if Acadia ceases, directly or indirectly (x) to own all of the issued and outstanding equity interests in Maker or (y) to control (i.e., power to direct or cause the direction of the management and policies of a person, corporation, partnership or other entity) Guarantor or (ii) if there is a Change in Control; or

(g) if there should occur a default which is not cured within the applicable grace or cure period, if any, under any mortgage or deed of trust of all or part of the Mortgaged Premises (as such term is defined in the Mortgage), including a mortgage or deed of trust held by Payee, regardless of whether any such other mortgage or deed of trust is superior, subordinate, or collateral to the Mortgage; it being further agreed by Maker that an Event of Default shall constitute an "Event of Default" under any such other mortgage or deed of trust held by Payee; provided, however, that this provision shall not be construed as Payee's consent to any such mortgage or deed of trust; or

(h) if any "Event of Default" (as such term is defined in any Security Document) shall occur; or

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(i) if Maker shall default in the performance of any covenant set forth in PARAGRAPH II (a)(1) or (2) of this Note and such default shall continue for forty-five (45) days after written notice thereof by Payee to Maker; provided, however, that Maker shall be allowed to cure such a default by, within such forty-five (45) day period, pledging additional collateral or making reductions in the outstanding Principal Sum of the Loan or reducing the underway face amount of the Letters of Credit or fixing the interest rate pursuant and subject to all of the terms and conditions of this Note that, in such event, would bring the Appraised Value of the Mortgaged Premises and/or the Net Operating Income of the Mortgaged Premises into compliance with such covenants; any such collateral so pledged must be satisfactory, both as to type and character of the collateral and as to the pledgor, to Payee in its sole discretion and accompanied by such supporting documents, financial statements and opinions of counsel as Payee may require; or

(j) if, as of December 31, 1999 or any subsequent December 31, the Net Worth of Acadia shall be less than \$50,000,000;

(k) if, as of June 30, 1999 or December 31, 1999 or any subsequent June 30 or December 31, the Liquid Net Worth of Acadia shall be less than \$3,000,000; or

(l) if there is a default, beyond any applicable notice and cure periods, under any Letter of Credit Application.

15. Involuntary Rate. Overdue principal and, to the extent permitted by law, overdue interest and all other overdue amounts owing hereunder, whether at maturity, upon acceleration or otherwise, shall bear interest for each day that such amounts are overdue (whether or not any required notice of default shall have been given) at a rate per annum equal to five percent (5%) per annum in excess of the Prime Rate in effect from time to time; provided, however, that no overdue principal shall bear interest at a rate per annum less than five percent (5%) in excess of the rate of interest applicable thereto immediately prior to maturity (such rate, the "Involuntary Rate"). Interest shall continue to accrue at the Involuntary Rate upon maturity of this Note, whether by expiration of its term, acceleration or otherwise, until this Note is paid in full, including the period following entry of any judgment on or relating to this Note or the Security Documents. Interest on any such judgment shall accrue and be payable at the Involuntary Rate, and not at the statutory rate of interest, after judgment, any execution thereon, and until actual receipt by Payee of payment in full of this Note and said judgment. Interest at the Involuntary Rate shall be collectible as part of any judgment hereunder and shall be secured by the Mortgage and the other Security Documents. Payee's right to receive interest at the Involuntary Rate shall be in addition to all other rights and remedies provided herein or by law for the benefit of the holder hereof upon a default; and the acceptance of the same by the holder hereof shall not restrict such holder in any respect in the exercise of any other or further right or remedy, nor shall the same be deemed to be, as to the holder hereof, a waiver or release of Maker from any of its obligations herein contained or constitute an extension of the time for payments due hereunder.

16. Security. This Note is secured by the Mortgage and all documents, agreements, hazardous substance indemnities or guaranties made by Maker and/or Guarantor and now or hereafter delivered in connection with or securing this Note, including the Mortgage, that certain Loan Guaranty of even date herewith made by Guarantor to and in favor of Payee and that certain Hazardous Substance Indemnity of even date herewith made by Guarantor and Maker to and in favor of

Payee, are collectively (including any amendment, modification, extension or renewal thereof now or hereafter executed in connection therewith or herewith) referred to herein as the "Security Documents." This Note is entitled to the benefits of the Security Documents.

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17. Acceleration. It is hereby expressly agreed that the entire unpaid balance of the Principal Sum shall, at the option of the holder hereof and upon such notice as may be required by this Note or by the Mortgage, become immediately due and payable without necessity for presentment and demand, notice of protest, demand and dishonor or nonpayment of this Note, all of which are hereby expressly waived, upon the happening of any Event of Default or any event by which, under the terms of the Security Document(s), said unpaid balance may or shall become due and payable. Failure to exercise any such option at any time shall not constitute a waiver of the right of the holder hereof to exercise the same in the event of any subsequent default or acceleration event.

18. Notices. Except as otherwise provided herein, any notice to be given hereunder shall be in writing and shall be either delivered or sent by first-class registered or certified mail, return receipt requested postage prepaid, addressed (a) 'f to Maker, to Maker's address set forth on the signature page or (b) if to Payee, at Payee's address set forth above, Attention: Catherine Money, or, as to any party, at such other address as shall be designated by such party by notice to the other party given in the manner set forth in this PARAGRAPH and each such notice shall be effective (1) if delivered by hand, at the time of delivery to the address specified in this PARAGRAPH, or (ii) if given by mail, on the fourth Business Day following the time of mailing in the manner aforesaid, or (iii) on the Business Day immediately following the delivery of such notice to an overnight delivery service.

19. Funding Sources. Nothing contained herein shall be deemed to obligate Payee to fund advances hereunder in any particular place or manner; and nothing contained herein shall be deemed to constitute a representation by Payee that it has funded or will fund advances in any particular place or manner.

20. Taxes and Attorney's Fees. Maker shall pay to Payee, immediately upon demand, any and all taxes assessed against Payee by reason of its holding of this Note and the receipt by it of interest payments hereunder (other than income, franchise and other similar taxes assessed by the United States Government, any state or any political subdivision of either thereof on such interest payments), and any and all other sums and charges that may at any time become due and payable under the Security Document(s). Maker also promises to pay, on demand, all costs, title insurance premiums, mortgage recording taxes, disbursements and reasonable attorneys' fees (including allocated costs of internal counsel of Payee) and disbursements incurred in connection with the negotiation, preparation, and execution of this Note and/or the Security Documents and any other documents and instruments prepared in connection herewith or therewith and the consummation of the transactions contemplated hereby or thereby and the administration of this Loan and in the preservation of rights under, enforcement of, this Note and the Security Document(s), any modification, amendment, or consent related thereto and in any suit, action or proceeding to protect or sustain the security interest of the holder of the Security Document(s) and any refinancing or renegotiation of this Note and the Security Document(s).

21. No Partnership or Joint Venture. Nothing contained in this Note or elsewhere shall be deemed or construed as creating a partnership or 'joint venture between Payee and Maker or between Payee and any other person, or cause the holder hereof to be responsible in any way for the debts or obligations of Maker or any other person.

22. Waiver. Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, Payee may extend the Maturity Date or the time for payment of any amount due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note without in any other way affecting the liability and obligation of Maker or any other Person. Maker

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further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, under the Security Document(s), or on any guaranty or other agreement now or hereafter securing, this Note.

23. Interest Rate Limitation. Notwithstanding, anything contained herein to the contrary, the holder hereof shall never be entitled to receive, collect or apply as interest on the obligation evidenced hereby any amount in excess of the maximum rate of interest permitted to be charged by applicable law; and in the event the holder hereof ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the Principal Sum; and if the Principal Sum is paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether the interest paid or payable in any specific case exceeds the highest lawful rate, the holder hereof and Maker shall to the maximum extent permitted under applicable law (i) characterize any non-principal payment as an expense, fee or premium rather than as interest; (ii) exclude voluntary prepayments and the effects thereof; and (iii) "spread" the total amount of interest throughout the entire contemplated terms of the obligation so that the interest rate is uniform throughout said entire term.

24. Severability. Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provision hereof, which terms and provisions shall remain binding and enforceable.

25. Number and Gender. In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa, if the context so requires.

26. Headings. Headings at the beginning of each numbered paragraph of this Note are intended solely for convenience of reference and are not to be deemed or construed to be a part of this Note.

27. Governing Law; Submission to Jurisdiction; Waivers, Etc.

(a) This Note, which, together with the Security Documents, sets forth the entire understanding of Maker and Payee with respect to the subject matter hereof, shall be governed by and construed and enforced in accordance with the laws (without giving effect to the conflict of law principles thereof) of the State of New York.

(b) Any legal action or proceeding with respect to this Note or any of the Security Documents may be brought in the courts of the State of New York or the State of Connecticut or, if the requisites of jurisdiction obtain, of the United States of America for the Southern or Eastern District of New York or the District of Connecticut, and, by execution and delivery hereof, Maker hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Nothing herein, however, shall affect the right of Payee to commence legal proceedings or otherwise proceed against Maker in any other jurisdiction. Maker also waives (a) the right to trial by jury in the event of any litigation to which Payee and Maker are parties in respect of any matter arising under this Note or any of the Security Documents, whether or not such litigation has been commenced in respect of this Note and whether or not other persons are also parties thereto, (b) any claim that New York or Nassau County or the Judicial District of Hartford/New Britain at Hartford, Connecticut or any such District is an inconvenient forum and (c) any claim against Payee for consequential, special or punitive damages respecting the Security Documents. Acceptance of this Note by Payee shall be deemed to constitute a waiver by Payee of the right to trial by jury in the event of any litigation in respect of which Maker has waived the right to trial by jury hereunder.

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(c) No delay on the part of Payee in exercising any of its options, powers or rights, or partial or single exercise thereof, whether arising hereunder, under the Security Documents or otherwise, shall constitute a waiver thereof or affect any right hereunder or thereunder. No waiver of any of such rights and no modification, amendment or discharge of this Note shall be deemed to be made unless the same shall be in writing, duly signed by Payee and Maker.

Each such waiver (if any) shall apply only with respect to the specific instance involved and shall in no way impair the rights of Payee or the obligations of Maker hereunder in any other respect at any other time.

28. Indemnity. Payee and Maker each hereby represents to the other than it did not deal with any broker or similar person in connection with this financing.

29. Set-off. Maker agrees that, in addition to (and without limitation of) any right of set-off, bankers' lien or counterclaim Payee may otherwise have, Payee shall be entitled, at its option, to offset balances held by it for the account of Maker at any of its offices, in lawful money of the United States of America or in any other currency, against any principal of or interest on this Note, or any other obligation of Maker held by Payee, which is not paid when due following any applicable notice and grace period (regardless of whether such balances are then due to Maker), and such right of set-off may be exercised if any execution, warrant, attachment, garnishment or other similar process shall be filed against Maker, the Mortgaged Premises or any part thereof, whether or not the same shall constitute a Default and/or an Event of Default.

30. Limitation on Liability. Notwithstanding anything to the contrary herein or in any of the Security Documents, Payee agrees that, for payment of this Note and any sums owing by Maker under the Security Documents, it will look solely to the assets of Maker and no property or assets of any of Maker's members shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee or for any payment required to be made under the Note or for any of the covenants or warranties contained herein; provided that the foregoing provisions of this PARAGRAPH shall not (i) constitute a waiver of any obligation evidenced by this Note, (ii) limit the right of Payee to name Maker as a party defendant in any action or suit for Judicial foreclosure and sale under the Mortgage, (iii) affect in any way the validity of, or the rights of Payee with respect to, any guaranty or indemnity agreement given in connection with the loan evidenced hereby, (iv) be applicable to the responsible Person in the event of and to the extent of fraud, misappropriation of funds or other property, or damage to any of the Mortgaged Premises or any other collateral securing this Note or any part thereof intentionally inflicted in bad faith by Maker or any partner, principal, shareholder, officer, director, agent or employee of Maker or any partner or principal of any of the foregoing or (v) be applicable to the liability arising in respect of hazardous materials.

31. Late Charge. If any installment of Interest and/or principal, including the final payment due on the Maturity Date, shall not be paid within ten (10) days after it is due hereunder (whether by acceleration or otherwise), then and in each such event, all such past-due amounts shall be subject to a late penalty, payable on demand, of five cents (\$.05) on every dollar (\$1.00) not so paid (the "Late Charge"). Such Late Charges shall be in addition to the other interest due thereon and in addition to all other rights and remedies provided herein or by law for the benefit of the holder hereof upon a default; and the acceptance of the same by the holder hereof shall not restrict such holder in any respect in the exercise of any other or further such right or remedy, nor shall the same be deemed to be, as to the holder hereof, a waiver or release of Maker from any of its obligations herein contained or constitute an extension of the time for payments due hereunder.

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32. Miscellaneous. (a) This Note may not be changed orally but only by an agreement in writing signed by Maker and Payee.

(b) 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 others sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses.

(c) Payee reserves the right to assign the Loan and/or to sell participations in the Loan and Maker and Guarantor agree that their financial statements and other financial information submitted to Payee may be distributed to potential assignees and/or participants. In addition to the other assignment rights provided in this Note, Payee may assign, as collateral or otherwise, any



of its rights under this Note (including, without limitation, rights to payments of principal or interest on the Loan) to any Federal Reserve Bank without notice to or consent of Maker; provided, however, that no such assignment shall release Payee from any of its obligations hereunder. The terms and conditions of any such assignment and the documentation evidencing such assignment shall be in form and substance satisfactory to Payee and the assignee Federal Reserve Bank,

(d) This Note may be signed in counterparts.

(e) MAKER AGREES THAT THIS IS A COMMERCIAL TRANSACTION AND NOT A CONSUMER TRANSACTION, AND WAIVES ANY RIGHT TO A NOTICE AND HEARING UNDER CHAPTER 903A OF THE CONNECTICUT GENERAL STATUTES, AS AMENDED, OR OTHER STATUTE OR STATUTES AFFECTING PREJUDGMENT REMEDIES, AND AUTHORIZES PAYEE'S ATTORNEY TO ISSUE A WRIT FOR A PREJUDGMENT REMEDY WITHOUT COURT ORDER, PROVIDED THE COMPLAINT SHALL SET FORTH A COPY OF THIS WAIVER.

IN WITNESS WHEREOF, Maker and Payee have executed and delivered this Note on the day and year first above written.

Address of Maker:

20 Soundview Marketplace  
Port Washington, New York 11050

ACADIA TOWN LINE, LLC

By: Acadia Realty Limited Partnership,  
sole member

By: Acadia Realty Trust,  
sole general partner

By: \_\_\_\_\_  
Kenneth F. Bernstein  
President

Witness :

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Agreed and Accepted:

FLEET BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Catherine E. Money  
Assistant Vice President

PROMISSORY NOTE

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U.S. \$10,000,000.00

September 21, 1999

FOR VALUE RECEIVED, and at the times hereinafter specified, RD VILLAGE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("Maker"), whose address is 20 Soundview Marketplace, Port Washington, New York 11050, hereby promises to pay to the order of SUNAMERICA LIFE INSURANCE COMPANY, an Arizona corporation (hereinafter referred to, together with each subsequent holder hereof, as "Holder"), at 1 SunAmerica Center, Century City, Los Angeles, California 90067-6022, or at such other address as may be designated from time to time hereafter by any Holder, the principal sum of TEN MILLION AND NO/100THS DOLLARS (\$10,000,000-00), together with interest on the principal balance outstanding from time to time, as hereinafter provided, in lawful money of the United States of America.

By its execution and delivery of this promissory note (this "Note"), Maker covenants and agrees as follows:

RECITALS

A. Maker executed a Promissory Note (the "Original Note") dated June 24, 1992, in the original principal amount of U.S. \$7,500,000 made payable to the order of Sun Life Insurance Company of America, an Arizona corporation (n/k/a Sun America Life Insurance Company).

B. The entire \$7,500,000.00 amount of the original loan evidenced by the Note has been disbursed to Maker and Maker acknowledges receipts of the entire original loan.

C. On or about November 15, 1993, Holder advanced to Maker an additional \$450,000.00 (the "First Additional Advance"), and as of that date, Maker and Holder executed an Amendment to the Promissory Note (The "First Amendment to Note"). Maker acknowledges receipt of the First Additional Advance.

D. On or about December 23, 1996, Holder advanced to Maker a second additional advance in the amount of \$1,500,000.00 (the "Second Additional Advance"), and as of that date Maker and Holder executed an Amendment to the Promissory Note (the "Second Amendment to Note"). Maker acknowledges receipt of the Second Additional Advance.

E. On or about May 8, 1998, Maker and Holder executed a Third Amendment to Promissory Note (the Third Amendment to Promissory Note").

F. The Original Note, as modified by the First Amendment to Note, the Second Amendment to Note and the Third Amendment to Note is here collectively referred to as the "Prior Note".

G. The total amount outstanding under the Prior Note as of the date hereof is \$8,554,899.55.

H. The proceeds of this Note shall be disbursed by application of \$8,554,899.55 towards retirement of The Prior Note (such amount sufficient to fully retire The Prior Note) and \$1,445,100.45 advanced to Maker at closing. Maker acknowledges that the difference between the principal face amount of this Note and the amount of funds advanced to Maker hereunder equals the amount applied towards retirement of the Prior Note.

AGREEMENT

1. Definitions. For purposes of this Note, -the following terms shall have the meanings ascribed to them below. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Deed of Trust (hereinafter defined).

(a) "Business Day" shall have the meaning ascribed to it in Section 8 of this Note.

(b) "Conversion Date" shall mean the first day of the month

following the date on which the LIBOR Rate is converted to the Remaining Term Fixed Rate pursuant to Section 3 of this Note.

(c) "Effective Rate" shall mean:

(i) for the period commencing on the date hereof through and including September 30, 1999 seven and fifty-seven hundredths percent (7.57)% per annum;

(ii) for the period commencing on October 1, 1999, and continuing through the day immediately preceding the Conversion Date, if any, or if the Conversion Date does not occur, through the Original Maturity Date, the LIBOR Rate; and

(iii) for the period Commencing on the Conversion Date, if any, and continuing through -the Original Maturity Date, The Remaining Term Fixed Rate.

(d) "LIBOR Determination Date" shall mean September 29, 1999, and each succeeding date that is two (2) Business Days prior to the commencement date of a LIBOR Period.

(e) "LIBOR Index %" shall mean the rate per annum for United States dollar deposits quoted as the London Inter-Bank Offered Rate ("LIBOR") as reported by Bloomberg on the LIBOR Determination Date for delivery of funds on such LIBOR Determination Date for a period comparable to the LIBOR Period and in an amount approximately equal to the principal amount of this Note outstanding on such date.

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(f) "LIBOR Period" shall mean the three-month period commencing on October 1, 1999 ("the LIBOR Period Commencement Date"), and each succeeding three-month period, and commencing on the first day of January, April, July and October.

(g) "LIBOR Rate" shall mean a rate per annum equal to the sum of the LIBOR Index plus the Margin.

(h) "Margin" shall mean two and five-hundredths percent (2.05%) per annum.

(i) "Original Maturity Date" shall mean October 1, 2002.

(j) "Principal and Interest Calculation" shall mean the recalculation of combined payments of principal and interest on each LIBOR Determination Date, based on the amount of principal balance outstanding, on such LIBOR Determination Date, which shall bear interest at the LIBOR Rate, as determined for such LIBOR Period, and re-amortized for each LIBOR Period based on the Original Amortization Period minus the number of months actually elapsed from the LIBOR Period Commencement Date.

(k) "Remaining Term Fixed Rate" shall mean a rate per annum equal to the sum of the Remaining Term Index plus the Margin.

(l) "Remaining Term Index" shall mean the yield on the U.S. Treasury Constant Maturity Series maturing on the Original Maturity Date, for the week prior to the Conversion Date, as reported in Federal Reserve Statistical Release H.15 Selected Interest Rates, conclusively determined by Holder on the Conversion Date.

## 2. Interest Rate and Payments.

(a) The balance of principal outstanding from time to time under this Note shall bear interest at a rate per annum, based on actual days in the year divided by a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each, equal to the Effective Rate in effect from time to time.

(b) Interest only on the outstanding principal balance of this Note shall be payable on the date hereof, in advance, for the period from and

including the date hereof through and including September 30, 1999.

(c) Commencing on November 1, 1999, and on the first day of each month thereafter through and including September 1, 2002, combined payments of principal and interest shall be payable, in arrears, in an amount sufficient to fully amortize the original principal amount of this Note over a three hundred month amortization period (the "Original Amortization Period").

(d) For periods during which the LIBOR Rate shall be in effect, the amount of the combined monthly payments of principal and interest shall be recalculated based on the Principal and Interest Calculation, as of the beginning of each LIBOR Period, and the LIBOR Rate shall be consecutively redetermined and established as of the applicable LIBOR Determination Date, effective as

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of the first day of the next succeeding calendar month, which shall be deemed to be the first day of the next succeeding LIBOR Period.

(e) The entire outstanding principal balance, together with all accrued and unpaid interest and all other sums due hereunder, shall be due and payable in full on October 1, 2002 (the "Original Maturity Date").

### 3. Additional LIBOR Provisions.

(a) If Holder at any time shall determine that for any reason adequate and reasonable means do not exist for ascertaining the LIBOR Rate, then Holder shall promptly give notice thereof to Maker. If such notice is given and until such notice has been withdrawn by Holder, then (i) no new LIBOR Rate shall be set by Holder, and (ii) any portion of the outstanding principal balance hereof which bears interest at the LIBOR Rate, subsequent to the end of the LIBOR period applicable thereto, shall bear interest at the Remaining Term Fixed Rate.

(b) If any law, treaty, rule, regulation or determination of a court or governmental authority or any change therein or in the interpretation or application thereof (each, a "Change in LANW") shall make it unlawful for Holder (i) to make LIBOR based interest rate options available hereunder, or (ii) to maintain interest rates based on LIBOR, then in the former event, any obligation of Holder to make available such unlawful LIBOR-based interest rate shall immediately be cancelled, and in the latter event, any such unlawful LIBOR-based interest rates then outstanding shall be converted to the Remaining Term Fixed Rate; provided, however, that if any such change in law shall permit any LIBOR-based interest rates to remain in effect until the expiration of the term thereof applicable thereto, then such permitted LIBOR-based interest rates shall continue in effect until the expiration of such term. Upon the occurrence of any of the foregoing events, Maker shall pay to Holder immediately upon demand such amounts as may be necessary to compensate Holder for any fines, fees, charges, penalties or other costs incurred or payable by Holder as a result thereof and which are attributable to any LIBOR-based interest rate made available to Maker hereunder, and any reasonable allocation made by Holder among its operations shall be conclusive and binding upon Maker.

(c) If any Change in Law or compliance by Holder with any request or directive (whether or not having the force of law) from any central bank or other governmental authority shall:

(i) subject Holder to any tax, duty or other charge with respect to any LIBOR-based interest rate, or change the basis of taxation of payments to Holder of principal, interest, fees or any other amount payable hereunder (except for changes in the rate of tax on the overall net income of Holder); or

(ii) impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances or loans by, or any other acquisition of funds by any office of Holder; or

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(iii) impose on Holder any other condition;

and the result of any of the foregoing is to increase the cost to Holder of making, renewing or maintaining any LIBOR-based interest rate hereunder and/or to reduce any amount receivable by Holder in connection therewith, then in any such case, Maker shall pay to Holder immediately upon demand such amounts as may be necessary to compensate Holder for any additional costs incurred by Holder and/or reductions in amounts received by Holder which are attributable to such LIBOR-based interest rate. In determining which costs incurred by Holder and/or reductions in amounts received by Holder are attributable to any LIBOR-based interest rate made available to Maker hereunder, any reasonable allocation made by Holder among its operations shall be conclusive and binding upon Maker.

4. Holder's Extension Option-, Net Operating Income.

(a) If Maker shall fail to pay the outstanding principal balance of this Note and all accrued interest and other charges due hereon at the Original Maturity Date, Holder shall have the right, at Holder's sole option and discretion, to extend the term of the loan evidenced by this Note (the "Loan") for an additional period of five (5) years (the "Extension Term"). If Holder elects to extend the term of the Loan, Maker shall pay all fees of Holder incurred in connection with such extension, including, but not limited to, attorneys' fees and title insurance premiums. Maker shall execute all documents reasonably requested by Holder to evidence and secure the Loan, as extended, and shall obtain and provide to Holder any title insurance policy or endorsement requested by Holder.

(b) Should Holder elect to extend the term of the Loan as provided above, Holder shall (i) reset the interest rate borne by the then-existing principal balance of the Loan to a rate per annum (the "New Rate") equal to Holder's (or comparable lenders', if Holder is no longer making such loans) then-prevailing interest rate for five (5) year loans secured by properties similar to the Property (hereinafter defined), as determined by Holder in its sole discretion; (ii) re-amortize the then-existing principal balance of the Loan over the remaining portion of the Amortization Period (the "New Amortization Period"); (iii) have the right to require Maker to enter into modifications of the non-economic terms of the Loan Documents as Holder may request (the "Non-Economic Modifications"); and (iv) notwithstanding any provision set forth in the Loan Documents to the contrary, have the right to require Maker to make monthly payments into escrow for insurance premiums and real property taxes, assessments and similar governmental charges. Hence, monthly principal and interest payments during the Extension Term shall be based upon the New Rate, and calculated to amortize fully the outstanding principal balance of the Loan over the New Amortization Period.

(c) If Holder elects to extend the term of the Loan, Holder shall advise Maker of the New Rate on or prior to the Original Maturity Date.

(d) In addition to the required monthly payments of principal and interest set forth above, commencing on the first day of the second month following the Original

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Maturity Date and continuing on the first day of each month thereafter during the Extension Term (each an "Additional Payment Date"), Maker shall make monthly payments to Holder in an amount equal to all Net Operating Income (hereinafter defined) attributable to the Property for the calendar month ending on the last day of the month that is two months preceding each such Additional Payment Date. For example, assuming the Original Maturity Date is January 1, then Net Operating Income for the period from January 1 through January 31 shall be payable to Holder on March 1; Net Operating Income for the period from February 1 through February 28 shall be payable to Holder on April 1, and so on.

(e) Holder shall deposit all such Net Operating Income received from Maker into an account or accounts maintained at a financial institution chosen by Holder or its servicer in its sole discretion (the "Deposit Account") and all such funds shall be invested in a manner acceptable to Holder in its sole discretion. All interest, dividends and earnings credited to the Deposit Account shall be held and applied in accordance with the terms hereof.

(f) On the third Additional Payment Date and on each third

Additional Payment Date thereafter, Holder shall apply all Excess Funds (hereinafter defined), if any, to prepayment of amounts due under this Note, without premium or penalty.

(g) As security for the repayment of the Loan and the performance of all other obligations of Maker under the Loan Documents, Maker hereby assigns, pledges, conveys, delivers, transfers and grants to Holder a first priority security interest in and to: all Maker's right, title and interest in and to the Deposit Account; all rights to payment from the Deposit Account and the money deposited therein or credited thereto (whether then due or in the future due and whether then or in the future on deposit); all interest thereon; any certificates, instruments and securities, if any, representing the Deposit Account; all claims, demands, general intangibles, chooses in action and other rights or interests of Maker in respect of the Deposit Account; any monies then or at any time thereafter deposited therein; any increases, renewals, extensions, substitutions and replacements thereof-, and all proceeds of the foregoing.

(h) From time to time, but not more frequently than monthly, Maker may request a disbursement (a "Disbursement") from the Deposit Account for capital expenses, tenant improvement expenses, leasing commissions and special contingency expenses. Holder may consent to or deny any such Disbursement in its sole discretion.

(i) Upon the occurrence of any Event of Default (hereinafter defined) (i) Maker shall not be entitled to any further Disbursement from the Deposit Account; and (ii) Holder shall be entitled to take immediate possession and control of the Deposit Account (and all funds contained therein) and to pursue all of its rights and remedies available to Holder under the Loan Documents, at law and in equity.

(j) All of the terms and conditions of the Loan shall apply during the Extension Term, except as expressly set forth above, and except that no further extensions of the Loan shall be permitted.

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(k) For the purposes of the foregoing:

(i) "Excess Funds" shall mean, on any Additional Payment Date, the amount of funds then existing in the Deposit Account (including any Net Operating Income due on the applicable Additional Payment Date), less an amount equal to the sum of three regularly scheduled payments of principal and interest due on this Note;

(ii) "Net Operating Income" shall mean, for any particular period of time, Gross Revenue for the relevant period, less Operating Expenses for the relevant period; provided, however, that if such amount is equal to or less than zero (0), Net Operating Income shall equal zero (0);

(iii) "Gross Revenue" shall mean all payments and other revenues (exclusive, however, of any payments attributable to sales taxes) received by or on behalf of Maker from all sources related to the ownership or operation of the Property, including, but not limited to, rents, room charges, parking fees, interest, security deposits (unless required to be held in a segregated account), business interruption insurance proceeds, operating expense passthrough revenues and common area maintenance charges, for the relevant period for which the calculation of Gross Revenue is being made; and

(iv) "Operating Expenses" shall mean the sum of all ordinary and necessary operating expenses actually paid by Maker in connection with the operation of the Property during the relevant period for which the calculation of Operating is being made, including, but not limited to (a) payments made by Maker for taxes and insurance required under the Loan Documents, and (b) monthly debt service payments as required under this Note.

#### 5. Budgets During Extension Term.

(a) Within fifteen (15) days following the Original Maturity Date and on or before December 1 of each subsequent calendar year, Maker shall

deliver to Holder a proposed revenue and expense budget for the Property for the remainder of the calendar year in which the Original Maturity Date occurs or the immediately succeeding calendar year (as applicable). Such budget shall set forth Maker's projection of Gross Revenue and Operating Expenses for the applicable calendar year, which shall be subject to Holder's reasonable approval. Once a proposed budget has been reviewed and approved by Holder, and Maker has made all revisions requested by Holder, if any, the revised budget shall be delivered to Holder and shall thereafter become the budget for the Property hereunder (the "Budget") for the applicable calendar year. If Maker and Holder are unable to agree upon a Budget for any calendar year, the budgeted Operating Expenses (excluding extraordinary items) provided in the Budget for the Property for the preceding calendar year shall be considered the Budget for the Property for the subject calendar year until Maker and Holder agree upon a new Budget for such calendar year.

(b) During the Extension Term, Maker shall operate the Property in accordance with the Budget for the applicable calendar year, and the total of expenditures relating to the Property exceeding one hundred and five percent

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(105%) of the aggregate of such expenses set forth in the Budget for the applicable time period shall not be treated as Operating Expenses for the purposes of calculating "Net Operating Income," without the prior written consent of Holder except for emergency expenditures which, in the Maker's good faith judgment, are reasonably necessary to protect, or avoid immediate danger to, life or property.

#### 6. Reports During Extension Term.

(a) During the Extension Term, Maker shall deliver to Holder all financial statements reasonably required by Holder to calculate Net Operating Income, including, without limitation, a monthly statement to be delivered to Holder concurrently with Maker's payment of Net Operating Income that sets forth the amount of Net Operating Income accompanying such statement and Maker's calculation of Net Operating Income for the relevant calendar month. Such statements shall be certified by an executive officer of Maker or Maker's manager, managing member or general partner (as applicable) as having been prepared in accordance with the terms hereof and to be true, accurate and complete in all material respects.

(b) In addition, on or before February 1 of each calendar year during the Extension Term, Maker shall submit to Holder an annual income and expense statement for the Property which shall include the calculation of Gross Revenue, Operating Expenses and Net Operating Income for the preceding calendar year and shall be accompanied by Maker's reconciliation of any difference between the actual aggregate amount of the Net Operating Income for such calendar year and the aggregate amount of Net Operating Income for such calendar year actually remitted to Holder. All such statements shall be certified by an executive officer of Maker or Maker's manager, managing member or general partner (as applicable) as having been prepared in accordance with the terms hereof and to be true, accurate and complete in all material respects. If any such annual financial statement discloses any inconsistency between the calculation of Net Operating Income and the amount of Net Operating Income actually remitted to Holder, Maker shall immediately remit to Holder the amount of any underpayment of Net Operating Income for such calendar year or, in the event of an overpayment by Maker, such amount may be withheld from any subsequent payment of Net Operating Income required hereunder.

(c) Holder may notify Maker within ninety (90) days after receipt of any statement or report required hereunder that Holder disputes any computation or item contained in any portion of such statement or report. If Holder so notifies Maker, Holder and Maker shall meet in good faith within twenty (20) days after Holder's notice to Maker to resolve such disputed items. If, despite such good faith efforts, the parties are unable to resolve the dispute at such meeting or within ten (10) days thereafter, the items shall be resolved by an independent certified public accountant designated by Holder within fifteen (15) days after such ten (10) day period. The determination of such accountant shall be final. All fees of such accountant shall be paid by Maker. Maker shall remit to Holder any additional amount of Net Operating Income found to be due for such periods within ten (10) days after the resolution of such dispute by the parties or the accountant's determination, as applicable. The amount of any overpayment found to have been made for such periods may be withheld from any

required future remittance of Net Operating Income.

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(d) Maker shall at all times keep and maintain full and accurate books of account and records adequate to reflect correctly all items required in order to calculate Net Operating Income.

#### 7. Prepayment.

(a) During the first (1st) year after the date of this Note, Maker shall have no right to prepay all or any part of this Note.

(b) At any time after the first (1st) anniversary of the date of this Note, Maker shall have the right to prepay the principal amount of this Note, in whole or in part, and all accrued but unpaid interest hereon as of the date of prepayment, provided that (i) Maker gives not less than @ (30) days' prior written notice to Holder of Maker's election to prepay this Note, and (ii) Maker pays a prepayment premium to Holder equal to one-half percent (1/2%) of the principal amount of this Note being prepaid, calculated as of the prepayment date.

(c) Holder shall notify Maker of the amount and basis of determination of the prepayment premium. Holder shall not be obligated to accept any prepayment of the principal balance of this Note unless such prepayment is accompanied by the applicable prepayment premium and all accrued interest and other sums due under this Note.

(d) If Holder accelerates this Note for any reason, then in addition to Maker's obligation to pay the then outstanding principal balance of this Note and all accrued but unpaid interest thereon, Maker shall pay an additional amount equal to the prepayment premium that would be due to Holder if Maker were voluntarily prepaying this Note at the time that such acceleration occurred, or if under the terms hereof no voluntary prepayment would be permissible on the date of such acceleration, Maker shall pay a prepayment premium calculated as set forth in the Deed of Trust.

(e) Notwithstanding the foregoing, (i) at any time during the Extension Term, Maker shall have the right to prepay the full principal amount of this Note and all accrued but unpaid interest thereon as of the date of prepayment, without prepayment premium thereon, and (ii) no prepayment premium shall be due in connection with the application of any insurance proceeds or condemnation awards to the principal balance of this Note, as provided in the Deed of Trust.

8. Dates of Payments. Whenever any payment to be made under this Note shall be stated to be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under the laws of the State of North Carolina (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day.

#### 9. Default Rate.

(a) The entire balance of principal, interest, and other sums due upon the maturity hereof, by acceleration or otherwise, shall bear interest from the date due until paid at the greater of (i) fifteen percent (15%) per annum and (ii) a per annum rate equal to five percent (5%) over the prime rate (for corporate loans at large United States money center commercial banks) published in The Wall Street Journal on the first business day of each month (the "Default

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Rate") provided, however, that such rate shall not exceed the maximum permitted by applicable state or federal law. In the event The Wall Street Journal is no longer published or no longer publishes such prime rate, Holder shall select a comparable reference.

(b) If any payment under this Note is not made when due, interest shall accrue at the Default Rate from the date such payment was due until payment is actually made.



10. Late Charges. In addition to interest as set forth herein, Maker shall pay to Holder a late charge equal to four percent (4%) of any amounts due under this Note in the event any such amount is not paid within fifteen (15) days of the date when due.

11. Application of Payments. All payments hereunder shall be applied first to the payment of late charges, if any, then to the payment of prepayment premiums, if any, then to the repayment of any sums advanced by Holder for the, payment of any insurance premiums, taxes, assessments, or other charges against the property securing this Note (together with interest thereon at the Default Rate from the date of advance until repaid), then to the payment of accrued and unpaid interest, and then to the reduction of principal.

12. Immediately Available Funds. Payments under this Note shall be payable in immediately available funds without setoff, counterclaim or deduction of any kind, and shall be made by electronic funds transfer from a bank account established and maintained by Maker for such purpose.

13. Security. This Note is secured by a Deed of Trust, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents of even date herewith granted by Maker for the benefit of the named Holder hereof (the "Deed of Trust") encumbering certain real property and improvements thereon commonly known as The Village Apartments as more particularly described in such Deed of Trust (the "Property").

14. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Deed of Trust.

15. Event of Default. Each of the following events will constitute an event of default (an "Event of Default") under this Note and under the Deed of Trust and each other Loan Document, and any Event of Default under any Loan Document shall constitute an Event of Default hereunder and under each of the other Loan Documents:

(a) any failure to pay within five (5) days of the date when due any sum hereunder;

(b) any failure of Maker to properly perform any obligation contained herein or in any of the other Loan Documents (other than the obligation to make payments under this Note or the other Loan Documents) and the continuance of such failure for a period of thirty (30) days following written notice thereof from Holder to Maker; provided, however, that if such failure is not curable within such thirty (30) day period, then, so long as Maker commences to cure such failure within such thirty (30) day period and is continually and diligently attempting to cure to completion, such failure shall not be an Event

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of Default unless such failure remains uncured for sixty (60) days after such written notice to Maker; or

(c) if, at any time during the Extension Term, Gross Revenue for any calendar month shall be less than ninety-three percent (93%) of the amount of projected Gross Revenue for such month set forth in the applicable Budget.

16. Acceleration. Upon the occurrence of any Event of Default, the entire balance of principal, accrued interest, and other sums owing hereunder shall, at the option of Holder, become at once due and payable without notice or demand. Upon the occurrence of an Event of Default described in Section 15(c) hereof, Holder shall have the option, in its sole discretion, to either (a) exercise any remedies available to it under the Loan Documents, at law or in equity, or (b) require Maker to submit a new proposed budget for Holder's approval. If Holder agrees to accept such new proposed budget, then, such budget shall become the Budget for all purposes hereunder.

17. Conditions Precedent. Maker hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute this Note the legal, valid and binding obligation of Maker, enforceable in accordance with the terms hereof, have been done and performed and happened in due and strict compliance with all applicable laws.

18. Certain Waivers and Consents. Maker and all parties now or

hereafter liable for the payment hereof, primarily or secondarily, directly or indirectly, and whether as endorser, guarantor, surety, or otherwise, hereby severally (a) waive presentment, demand, protest, notice of protest and/or dishonor, and all other demands or notices of any sort whatever with respect to this Note, (b) consent to impairment or release of collateral, extensions of time for payment, and acceptance of partial payments before, at, or after maturity, (c) waive any right to require Holder to proceed against any security for this Note before proceeding hereunder, (d) waive diligence in the collection of this Note or in filing suit on this Note, and (e) agree to pay all costs and expenses, including reasonable attorneys' fees, which may be incurred in the collection of this Note or any part thereof or in preserving, securing possession of, and realizing upon any security for this Note.

19. Usury Savings Clause. The provisions of this Note and of all agreements between Maker and Holder are, whether now existing or hereinafter made, hereby expressly limited so that in no contingency or event whatever, whether by reason of acceleration of the maturity hereof, prepayment, demand for payment or otherwise, shall the amount paid, or agreed to be paid, to Holder for the use, forbearance, or detention of the principal hereof or interest hereon, which remains unpaid from time to time, exceed the maximum amount permissible under applicable law, it particularly being the intention of the parties hereto to conform strictly to North Carolina and Federal law, whichever is applicable. If from any circumstance whatever, the performance or fulfillment of any provision hereof or of any other agreement between Maker and Holder shall, at the time performance or fulfillment of such provision is due, involve or purport to require any payment in excess of the limits prescribed by law, then the obligation to be performed or fulfilled is hereby reduced to the limit of such validity, and if from any circumstance whatever Holder should ever receive as interest an amount which would exceed the highest lawful rate, the amount which would be excessive interest shall be applied to the

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reduction of the principal balance owing hereunder (or, at Holder's option, be paid over to Maker) and shall not be counted as interest. To the extent permitted by applicable law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of this Note, all interest at any time contracted for, charged, or received from Maker in connection with this Note and all other agreements between Maker and Holder, so that the actual rate of interest on account of the indebtedness represented by this Note is uniform throughout the term hereof.

20. Non-Recourse, Exceptions to Non-Recourse. Except as expressly hereinafter set forth, the recourse of Holder with respect to the obligations evidenced by this Note shall be solely to the Property, Chattels, and Intangible Personalty (as such terms are defined in the Deed of Trust). Notwithstanding anything to the contrary contained in this Note or in any Loan Document, nothing shall be deemed in any way to impair, limit or prejudice the rights of Holder (a) in foreclosure proceedings or in any ancillary proceedings brought to facilitate Holder's foreclosure on the Property or any portion thereof, (b) to recover from Maker damages or costs (including without limitation reasonable attorneys' fees) incurred by Holder as a result of waste by Maker; (c) to recover from Maker any condemnation or insurance proceeds attributable to the Property which were not paid to Holder or used to restore the Property in accordance with the terms of the Deed of Trust; (d) to recover from Maker any rents, profits, security deposits, advances, rebates, prepaid rents or other similar sums attributable to the Property collected by or for Maker following an Event of Default under any Loan Document and not properly applied to the reasonable fixed and operating expenses of the Property, including payments of this Note; (e) to pursue the personal liability of Maker under the provisions of Section 5.10 of the Deed of Trust, including any indemnification provisions under such Section; (f) to exercise any specific rights or remedies afforded Holder under any other provisions of the Loan Documents or by law or in equity (or to recover under any guarantee agreement given in connection with this Note); (g) to recover from Maker the amount of any accrued taxes, assessments, and/or utility charges affecting the Property (whether or not the same have been billed to Maker) that are either unpaid by Maker or paid by Holder under the Deed of Trust and to collect from Maker any sums expended by Holder in fulfilling the obligations of Maker, as lessor, under any leases affecting the Property; (h) to pursue any personal liability of Maker and/or Guarantor under the Environmental Indemnity Agreement; and (I) to recover from Maker the amount of any loss suffered by Holder (that would otherwise be covered by insurance) as

a result of Maker's failure to maintain any insurance required under the terms of any Loan Document. The agreement contained in this paragraph to limit the personal liability of Maker shall become null and void and be of no further force and effect in the event (i) that the Property or any part thereof or any interest therein, or any interest in Maker, shall be further encumbered by a voluntary lien securing any obligation upon which Maker or any general partner, principal or affiliate of Maker shall be personally liable for repayment, whether as obligor or guarantor; (ii) of any breach or violation of Section 5.4, 5.5 or 5.7 of the Deed of Trust; (iii) of any fraud or misrepresentation by Maker in connection with the Property, the Loan Documents or the application made by Maker for the Loan; or (iv) of any execution, amendment, modification or termination of any lease of any portion of the Property without the prior written consent of Holder if such consent is required under the terms of the Loan Documents. For purposes of the foregoing, "affiliate" shall mean any individual, corporation, trust, partnership or any other person or entity controlled by, controlling or under common control with Maker. A person or entity of any nature shall be presumed to

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have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another person or entity, whether through ownership of voting securities, by contract, or otherwise.

21. Severability. If any provision hereof or of any other document securing or related to the indebtedness evidenced hereby is, for any reason and to any extent, invalid or unenforceable, then neither the remainder of the document in which such provision is contained, nor the application of the provision to other persons, entities, or circumstances, nor any other document referred to herein, shall be affected thereby, but instead shall be enforceable to the maximum extent permitted by law.

22. Transfer of Note. Each provision of this Note shall be and remain in full force and effect notwithstanding any negotiation or transfer hereof and any interest herein to any other Holder or participant.

23. Governing Law. Regardless of the place of its execution, this Note shall be construed and enforced in accordance with the laws of the State of North Carolina.

24. Time of Essence. Time is of the essence of this Note.

25. Remedies Cumulative. The remedies provided to Holder in this Note, the Deed of Trust and the other Loan Documents are cumulative and concurrent and may be exercised singly, successively or together against Maker, the Property, and other security, or any guarantor of this Note, at the sole and absolute discretion of the Holder.

26. No Waiver. Holder shall not by any act or omission be deemed to waive any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth therein. A waiver of one event shall not be construed as continuing or as a bar to or waiver of any right or remedy granted to Holder hereunder in connection with a subsequent event.

27. Joint and Several Obligation. If Maker is more than one person or entity, then (a) all persons or entities comprising Maker are jointly and severally liable for all of the Maker's obligations hereunder; (b) all representations, warranties, and covenants made by Maker shall be deemed representations, warranties, and covenants of each of the persons or entities comprising Maker; (c) any breach, Default or Event of Default by any of the persons or entities comprising Maker hereunder shall be deemed to be a breach, Default, or Event of Default of Maker; and (d) any reference herein contained to the knowledge or awareness of Maker shall mean the knowledge or awareness of any of the persons or entities comprising Maker.

28. WAIVER OF JURY TRIAL. MAKER AND HOLDER KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, THE DEED OF TRUST, OR ANY OTHER LOAN DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO OR TO ANY LOAN DOCUMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR MAKER AND HOLDER TO ENTER

INTO THE LOAN TRANSACTION EVIDENCED BY THIS NOTE.

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29. WAIVER OF PREPAYMENT RIGHT WITHOUT PREMIUM MAKER HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE UNDER APPLICABLE LAW TO PREPAY THIS NOTE, IN WHOLE OR IN PART, WITHOUT PREPAYMENT PREMIUM, UPON ACCELERATION OF THE MATURITY DATE OF THIS NOTE, AND AGREES THAT, IF FOR ANY REASON A PREPAYMENT OF ALL OR ANY PART OF THIS NOTE IS MADE, WHETHER VOLUNTARILY OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE OF THIS NOTE BY HOLDER ON ACCOUNT OF THE OCCURRENCE OF ANY EVENT OF DEFAULT ARISING FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, AS A RESULT OF ANY PROHIBITED OR RESTRICTED TRANSFER, FURTHER ENCUMBRANCE OR DISPOSITION OF THE PROPERTY OR ANY PART THEREOF SECURING THIS NOTE, THEN MAKER SHALL BE OBLIGATED TO PAY, CONCURRENTLY WITH SUCH PREPAYMENT, THE PREPAYMENT PREMIUM PROVIDED FOR IN THIS NOTE OR, IN THE EVENT OF PREPAYMENT FOLLOWING ACCELERATION OF THE MATURITY DATE HEREOF WHEN THIS NOTE IS CLOSED TO PREPAYMENT, AS PROVIDED IN THE DEED OF TRUST. MAKER HEREBY DECLARES THAT HOLDER'S AGREEMENT TO MAKE THE LOAN AT THE INTEREST RATE AND FOR THE TERM SET FORTH IN THIS NOTE CONSTITUTES ADEQUATE CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY MAKER, FOR THIS WAIVER AND AGREEMENT.

IN WITNESS WHEREOF and intending to be legally bound, Maker has duly executed this Note as of the date first above written.

RD VILLAGE ASSOCIATES LIMITED  
PARTNERSHIP, a Delaware limited partnership

By: ACADIA PROPERTY HOLDINGS, LLC, a Delaware  
limited liability company, its General Partner

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: \_\_\_\_\_  
Kenneth F. Bernstein,  
President

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LIST OF SUBSIDIARIES OF  
ACADIA REALTY TRUST

Acadia Realty Limited Partnership  
Acadia Realty Trust  
Acadia Property Holdings, LLC

239 Greenwich Associates Limited Partnership  
Crossroads Joint Venture  
Crossroads II  
RD Abington Associates Limited Partnership  
RD Absecon Associates, L.P.  
RD Absecon, Inc.  
RD Bloomfield Associates Limited Partnership  
RD Branch Associates L.P.  
RD Columbia Associates, L.P.  
RD Elmwood Associates, L.P.  
Acadia G. O. Limited Partnership  
Acadia G. O. Corp.  
Greenbelt Realty Corp.  
Heathcote Associates, L.P.  
Acadia Heathcote, LLC  
RD Hendon Realty, Inc.  
RD Hobson Associates, L.P.  
Acadia Mad River Property LLC  
Marley Associates Limited Partnership  
Marley Oakwood Properties, Inc.  
Acadia Merrillville Realty, L.P.  
Acadia Merrillville Realty, Inc.  
RD Methuen Associates Limited Partnership  
Pacesetter/Ramapo Associates  
Acadia Pacesetter LLC  
Port Bay Associates, LLC  
RD Smithtown, LLC  
Sound View Management LLC  
Acadia Town Line, LLC  
RD Village Associates Limited Partnership  
RD Whitegate Associates, L.P.  
RD Woonsocket Associates Limited Partnership

Blackman Fifty L.P.  
Blackman Fifty Realty Corp.  
Mark Four Realty, L.P.  
Mark Four Realty Corp.  
Mark Kings Fairground, L.P.  
Mark Kings Fairground Realty, Inc.  
Mark M.P.N.M. Limited Partnership  
Mark M.P.N.M. Realty, Inc.  
Mark Manahawkin, L.P.  
Mark Manahawkin Realty Corp.  
Mark Martintown, L.P.  
Mark Martintown Realty, Inc.  
Mark New Smyrna Limited Partnership  
Mark New Smyrna Realty, Inc.  
Mark Northwood Associates, Limited Partnership  
Mark Northwood Realty, Inc.  
Mark Park Plaza, L.P.  
Mark Park Plaza Realty, Inc.  
Mark Plaza Fifty L.P.  
Mark Plaza Fifty Realty Corp.  
Mark Shillington, L.P.  
Mark Shillington Realty Corp.  
Mark Three Realty, L.P.  
Mark Three Realty Corp.  
Mark Troy, L.P.  
Mark Troy Realty, Inc.  
Mark Twelve Associates, L.P.  
New Castle Fifty Realty Corp.  
Mark 25th Street, L.P.  
Mark 25th Street Realty Corp.

Wesmark Fifty, L.P.  
Wesmark Fifty Realty Corp.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-95966) pertaining to the 1999 Share Incentive Plan of Acadia Realty Trust, in the Registration Statement (Form S-3 No. 33-85190) of Acadia Realty Trust, and in the Registration Statement (Form S-3 No. 333-31630) of Acadia Realty Trust, of our report dated February 25, 2000 with respect to the consolidated financial statements and schedule of Acadia Realty Trust included in this Annual Report (Form 10-K) for the year ended december 31, 1999.

/s/ ERNST & YOUNG LLP

New York, New York  
March 29, 2000

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