

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-12002

ACADIA REALTY TRUST

(Exact name of registrant in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

23-2715194
(I.R.S. Employer
Identification No.)

1311 MAMARONECK AVENUE, SUITE 260
WHITE PLAINS, NY
(Address of principal executive offices)

10605
(Zip Code)

(914) 288-8100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of May 8, 2008 there were 32,263,740 common shares of beneficial interest, par value \$.001 per share, outstanding.

ACADIA REALTY TRUST AND SUBSIDIARIES

FORM 10-Q

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(dollars in thousands)	March 31, 2008 (unaudited)	December 31, 2007
ASSETS		
Real estate		
Land	\$ 281,070	\$ 231,502
Buildings and improvements	605,859	485,177
Construction in progress	101,031	77,608
	<u>987,960</u>	<u>794,287</u>
Less: accumulated depreciation	125,852	122,044
Net real estate	862,108	672,243
Cash and cash equivalents	95,890	123,343
Cash in escrow	7,412	6,637
Investments in and advances to unconsolidated affiliates	58,960	44,654
Rents receivable, net	12,401	11,935
Notes receivable	57,698	57,662
Prepaid expenses and other assets, net	34,419	16,510
Deferred charges, net	21,432	18,879
Acquired lease intangibles, net	15,309	16,103
Assets of discontinued operations	30,926	31,046
	<u>\$ 1,196,555</u>	<u>\$ 999,012</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$ 551,030	\$ 402,903
Convertible notes payable	115,000	115,000
Acquired lease and other intangibles, net	5,366	5,651
Accounts payable and accrued expenses	15,752	14,833
Dividends and distributions payable	7,031	14,420
Distributions in excess of income from and investment in unconsolidated affiliates	20,081	20,007
Other liabilities	19,261	13,564
Liabilities of discontinued operations	425	787
Total liabilities	733,946	587,165
Minority interest in operating partnership	4,599	4,595
Minority interests in partially-owned affiliates	216,961	166,516
Total minority interests	221,560	171,111
Shareholders' equity		
Common shares	32	32
Additional paid-in capital	227,136	227,890
Accumulated other comprehensive loss	(1,779)	(953)
Retained earnings	15,660	13,767
Total shareholders' equity	241,049	240,736
	<u>\$ 1,196,555</u>	<u>\$ 999,012</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(unaudited)

(dollars in thousands, except per share amounts)	Three months ended March 31,	
	2008	2007
Revenues		
Minimum rents	\$ 17,596	\$ 15,431
Percentage rents	161	96
Expense reimbursements	4,002	2,889
Other property income	288	124
Management fee income from related parties	2,029	1,075
Interest income	2,796	2,854
Other	—	165
Total revenues	<u>26,872</u>	<u>22,634</u>
Operating Expenses		
Property operating	4,133	3,546
Real estate taxes	2,544	1,982
General and administrative	6,389	5,448
Depreciation and amortization	6,518	5,634
Total operating expenses	<u>19,584</u>	<u>16,610</u>
Operating income	7,288	6,024
Equity in earnings of unconsolidated affiliates	13,235	130
Interest expense	(6,088)	(5,607)
Minority interest	(5,185)	2,309
Income from continuing operations before income taxes	9,250	2,856
Income tax (provision)	(1,857)	(44)
Income from continuing operations	<u>7,393</u>	<u>2,812</u>
Discontinued Operations		
Operating income from discontinued operations	1,377	1,045
Minority interest	(27)	(21)
Income from discontinued operations	<u>1,350</u>	<u>1,024</u>
Income before extraordinary item	<u>8,743</u>	<u>3,836</u>
Extraordinary item		
Share of extraordinary gain from investment in unconsolidated affiliate	—	23,690
Minority interest	—	(18,959)
Income tax provision	—	(1,848)
Extraordinary gain	<u>—</u>	<u>2,883</u>
Net income	<u>\$ 8,743</u>	<u>\$ 6,719</u>
Basic Earnings per Share		
Income from continuing operations	\$ 0.23	\$ 0.09
Income from discontinued operations	0.04	0.03
Income from extraordinary item	—	0.09
Basic earnings per share	<u>\$ 0.27</u>	<u>\$ 0.21</u>
Diluted Earnings per Share		
Income from continuing operations	\$ 0.23	\$ 0.08
Income from discontinued operations	0.04	0.03
Income from extraordinary item	—	0.09
Diluted earnings per share	<u>\$ 0.27</u>	<u>\$ 0.20</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(unaudited)

(dollars in thousands)	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,743	\$ 6,719
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,627	6,537
Minority interests	5,212	16,671
Amortization of lease intangibles	175	62
Amortization of mortgage note premium	(20)	(34)
Share compensation expense	868	811
Equity in earnings of unconsolidated affiliates	(13,235)	(23,820)
Distributions of operating income from unconsolidated affiliates	583	24,005
Amortization of derivative settlement included in interest expense	¾	109
Changes in assets and liabilities		
Funding of escrows, net	(775)	652
Rents receivable	(397)	2,035
Prepaid expenses and other assets, net	(18,206)	17,204
Accounts payable and accrued expenses	464	(1,563)
Other liabilities	4,681	6,099
Net cash (used in) provided by operating activities	<u>(5,280)</u>	<u>55,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate and improvements	(154,868)	(64,613)
Deferred acquisition and leasing costs	(903)	(3,550)
Investments in and advances to unconsolidated affiliates	(1,567)	(2,274)
Return of capital from unconsolidated affiliates	75	20,875
Collections of notes receivable	¾	5,583
Advances of notes receivable	¾	(1,368)
Net cash used in investing activities	<u>(157,263)</u>	<u>(45,347)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(unaudited)

(dollars in thousands)	March 31, 2008	March 31, 2007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage notes	\$ (60,616)	\$ (42,607)
Proceeds received on mortgage notes	168,796	32,764
Proceeds received on convertible notes	¾	15,000
Payment of deferred financing and other costs	(2,719)	(392)
Capital contributions from partners and members and from minority interests in partially-owned affiliates	46,014	2,166
Distributions to partners and members and to minority interests in partially-owned affiliates	(519)	(37,272)
Dividends paid to Common Shareholders	(14,121)	(6,519)
Distributions to minority interests in Operating Partnership	(287)	(133)
Distributions on preferred Operating Partnership Units to minority interests	(11)	(9)
Repurchase and cancellation of shares	(1,494)	(1,094)
Common Shares issued under Employee Share Purchase Plan	41	28
Exercise of options to purchase Common Shares	6	—
	<u>135,090</u>	<u>(38,068)</u>
Net cash provided by (used in) financing activities		
	<u>135,090</u>	<u>(38,068)</u>
Decrease in cash and cash equivalents	(27,453)	(27,928)
Cash and cash equivalents, beginning of period	123,343	139,571
	<u>123,343</u>	<u>139,571</u>
Cash and cash equivalents, end of period	<u>\$ 95,890</u>	<u>\$ 111,643</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, including capitalized interest of \$5 and \$12, respectively	<u>\$ 5,165</u>	<u>\$ 4,950</u>
Cash paid for income taxes	<u>\$ 2,145</u>	<u>\$ 205</u>
Supplemental disclosure of non-cash investing and financing activities		
Acquisition of real estate through assumption of debt	<u>\$ 39,967</u>	<u>\$ ¾</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

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

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and entities in which the Operating Partnership owns a controlling interest. As of March 31, 2008, the Trust controlled 98% of the Operating Partnership as the sole general partner. As the general partner, the Trust is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners represent entities or individuals who contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common or Preferred OP Units”). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Trust (“Common Shares”). This structure is commonly referred to as an umbrella partnership REIT or “UPREIT”.

During 2001, the Company formed a partnership, Acadia Strategic Opportunity Fund I, LP (“Fund I”), and in 2004 formed a limited liability company, Acadia Mervyn Investors I, LLC (“Mervyns I”), with four institutional investors. The Operating Partnership committed a total of \$20.0 million to Fund I and Mervyns I, and the four institutional shareholders committed \$70.0 million, for the purpose of acquiring a total of approximately \$300.0 million in investments. As of March 31, 2008, the Operating Partnership had contributed \$16.5 million to Fund I and \$2.7 million to Mervyns I.

The Operating Partnership is the sole general partner of Fund I and sole managing member of Mervyns I, with a 22.2% equity interest in both Fund I and Mervyns I and is also entitled to a profit participation in excess of its equity interest percentage based on certain investment return thresholds (“Promote”). Cash flow is distributed pro-rata to the partners and members (including the Operating Partnership) until they receive a 9% cumulative return (“Preferred Return”), and the return of all capital contributions. Thereafter, remaining cash flow (which is net of distributions and fees to the Operating Partnership for management, asset management, leasing, construction and legal services) is distributed 80% to the partners (including the Operating Partnership) and 20% to the Operating Partnership as a Promote. As all contributed capital and accumulated preferred return has been distributed to investors, the Operating Partnership is now entitled to a Promote on all earnings and distributions.

During June of 2004, the Company formed Acadia Strategic Opportunity Fund II, LLC (“Fund II”), and during August 2004 formed Acadia Mervyn Investors II, LLC (“Mervyns II”), with the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II and Mervyns II combined expect to be able to acquire or develop up to \$900.0 million of investments on a leveraged basis. The Operating Partnership’s share of committed capital is \$60.0 million. The Operating Partnership is the managing member with a 20% interest in both Fund II and Mervyns II. The terms and structure of Fund II and Mervyns II are substantially the same as Fund I and Mervyns I, including the Promote structure, with the exception that the Preferred Return is 8%. As of March 31, 2008, the Operating Partnership had contributed \$30.8 million to Fund II and \$7.6 million to Mervyns II.

During May of 2007, the Company formed Acadia Strategic Opportunity Fund III LLC (“Fund III”) with 14 institutional investors, including a majority of the investors from Fund I and Fund II. With \$503 million of committed discretionary capital, Fund III expects to be able to acquire or develop approximately \$1.5 billion of assets on a leveraged basis. The Operating Partnership’s share of the invested capital is \$100.0 million and it is the managing member with a 19.9% interest in Fund III. The terms and structure of Fund III is substantially the same as the previous Funds, including the Promote structure, with the exception that the Preferred Return is 6%. As of March 31, 2008, the Operating Partnership had contributed \$19.2 million to Fund III.

2. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of the Company and its controlling investments in partnerships and limited liability companies in which the Company is presumed to have control in accordance with Emerging Issues Task Force Issue No. 04-05. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company’s share of the net earnings (or loss) of these entities are included in consolidated net income under the caption, Equity in Earnings of Unconsolidated Affiliates. The information furnished in the accompanying consolidated financial statements reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the aforementioned consolidated financial statements for the interim periods.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PRESENTATION, (continued)

Although the Company accounts for its investment in Albertson's (Note 7), which it has made through the Retailer Controlled Property Venture with Klaff Realty, LP ("Klaff") and Lubert-Adler Management, Inc. ("Lubert-Adler") ("RCP Venture"), using the equity method of accounting, the Company adopted the policy of not recording its equity in earnings or losses of the unconsolidated affiliate until the Company receives the audited financial statements of Albertson's to support the equity earnings or losses in accordance with paragraph 19 of Accounting Principles Board ("APB") 18 "Equity Method of Accounting for Investments in Common Stock".

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2008. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

During September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157 "Fair Value Measurements." This SFAS defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This statement applies to accounting pronouncements that require or permit fair value measurements, except for share-based payment transactions under SFAS No. 123R. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, except for non-financial assets and liabilities, for which this statement will be effective for fiscal years beginning after November 15, 2008. SFAS No. 157 does not require any new fair value measurements or remeasurements of previously computed fair values. On January 1, 2008, the Company adopted SFAS No. 157 and it did not have a material impact to the Company's financial statements or results of operations.

On February 15, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This statement permits companies and not-for-profit organizations to make a one-time election to carry eligible types of financial assets and liabilities at fair value, even if fair value measurement is not required under GAAP. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 on January 1, 2008 with no impact to the Company's financial statements or results of operations.

On August 31, 2007, the FASB issued a proposed FASB Staff Position 14-a ("FSP 14-a") that affects the accounting for the Company's convertible notes payable (Note 10). FSP 14-a requires the proceeds from the sale of convertible debt be allocated between the debt and equity components. The debt component will be measured based on the fair value of similar debt without an equity conversion feature, and the equity component will be determined as the residual of the fair value of the debt deducted from the original proceeds received. The resulting discount on the debt component must be amortized over the period of the debt. FSP 14-a will become effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that FSP 14-a would have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which, among other things, provides guidance and establishes amended accounting and reporting standards for a parent company's noncontrolling or minority interest in a subsidiary. The Company is currently evaluating the impact of adopting SFAS No. 160, which is effective for fiscal years beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations," which replaces SFAS No. 141 Business Combinations. SFAS No. 141R, among other things, establishes principles and requirements for how an acquirer entity recognizes and measures in its financial statements the identifiable assets acquired (including intangibles), the liabilities assumed and any noncontrolling interest in the acquired entity. The Company is currently evaluating the impact of adopting SFAS No. 141R, which is effective for fiscal years beginning on or after December 15, 2008.

In March 2008, the FASB issued SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities — an amendment of SFAS No. 133." SFAS No. 161 amends SFAS No. 133 to provide additional information about how derivative and hedging activities affect an entity's financial position, financial performance, and cash flows. It requires enhanced disclosures about an entity's derivatives and hedging activities. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of SFAS No. 161 is not expected to have an impact on the Company's financial condition or results of operations.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. EARNINGS PER COMMON SHARE

Basic earnings per share was determined by dividing the applicable net income to Common Shareholders for the period by the weighted average number of Common Shares outstanding during each period consistent with SFAS No. 128. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares or resulted in the issuance of Common Shares that then shared in the earnings of the Company.

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the periods indicated.

(dollars in thousands, except per share amounts)	Three months ended	
	March 31,	
	2008	2007
Numerator:		
Income from continuing operations — basic	\$ 7,393	\$ 2,812
Effect of dilutive securities:		
Preferred OP Unit distributions	5	8
Numerator for diluted earnings per share	<u>\$ 7,398</u>	<u>\$ 2,820</u>
Denominator:		
Weighted average shares for basic earnings per share	32,460	32,155
Effect of dilutive securities:		
Employee share options	472	706
Convertible Preferred OP Units	25	179
Dilutive potential Common Shares	<u>497</u>	<u>885</u>
Denominator for diluted earnings per share	<u>32,957</u>	<u>33,040</u>
Basic earnings per share from continuing operations	<u>\$ 0.23</u>	<u>\$ 0.09</u>
Diluted earnings per share from continuing operations	<u>\$ 0.22</u>	<u>\$ 0.08</u>

The weighted average shares used in the computation of basic earnings per share include unvested Restricted Shares and LTIP Units (Note 14) that are entitled to receive dividend equivalent payments. The effect of the conversion of Common OP Units is not reflected in the above table, as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share. The conversion of the convertible notes payable (Note 10) is not reflected in the table as such conversion would be anti dilutive. The effect of the assumed conversion of 25,067 Series A Preferred OP Units would be dilutive for the three months ended March 31, 2008 and they are included in the above table. The effect of the assumed conversion of 178,993 Series A and B Preferred OP Units for the three months ended March 31, 2007 was dilutive and they are included in the table.

4. COMPREHENSIVE INCOME

The following table sets forth comprehensive income for the three months ended March 31, 2008 and 2007:

(dollars in thousands)	Three months ended	
	March 31,	
	2008	2007
Net income	\$ 8,743	\$ 6,719
Other comprehensive (loss) income	(826)	2
Comprehensive income	<u>\$ 7,917</u>	<u>\$ 6,721</u>

Other comprehensive income relates to the changes in the fair value of derivative instruments accounted for as cash flow hedges and the amortization, which is included in interest expense, of a derivative instrument.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. COMPREHENSIVE INCOME, continued

The following table sets forth the change in accumulated other comprehensive income for the three months ended March 31, 2008:

Accumulated other comprehensive loss

(dollars in thousands)

Balance at December 31, 2007	\$ (953)
Unrealized loss on valuation of derivative instruments and amortization of derivative	(826)
Balance at March 31, 2008	<u>\$ (1,779)</u>

5. SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

The following table summarizes the change in the shareholders' equity and minority interests since December 31, 2007:

(dollars in thousands)	<u>Shareholders' Equity</u>	<u>Minority interest in Operating Partnership</u>	<u>Minority interest in partially-owned affiliates</u>
Balance at December 31, 2007	\$ 240,736	\$ 4,595	\$ 166,516
Dividends and distributions declared of \$0.21 per Common Share and Common OP Unit	(6,851)	(180)	¾
Net income for the period January 1 through March 31, 2008	8,743	84	5,128
Distributions paid	¾	¾	(519)
Other comprehensive income — Unrealized loss on valuation of derivative instruments	(826)	(16)	(178)
Common Shares issued under Employee Share Purchase Plan	41	¾	¾
Minority interest contributions	¾	¾	46,014
Employee exercise of options to purchase Common Shares	6	¾	¾
Employee Restricted Share awards	694	¾	¾
Employee Restricted Shares cancelled	(1,494)	¾	¾
Employee LTIP Unit awards	¾	116	¾
Balance at March 31, 2008	<u>\$ 241,049</u>	<u>\$ 4,599</u>	<u>\$ 216,961</u>

Minority interest in the Operating Partnership represents (i) the limited partners' 642,272 Common OP Units at March 31, 2008 and December 31, 2007, (ii) 188 Series A Preferred OP Units at March 31, 2008 and December 31, 2007, with a stated value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$22.50 (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit.

During the three months ended March 31, 2008, 59,214 employee Restricted Shares were cancelled to pay the employees' income taxes due on the value of the portion of the Restricted Shares that vested during the period. Also during the three months ended March 31, 2008, the Company recognized accrued Common Share and Common OP Unit-based compensation totaling \$0.9 million.

Minority interests in partially owned affiliates include third-party interests in Fund I, II and III, and Mervyns I and II and three other entities.

The following table summarizes the minority interest's contributions and distributions since December 31, 2007:

(dollars in thousands)	<u>Contributions</u>	<u>Distributions</u>
Partially-owned affiliates	\$ ¾	\$ (36)
Fund I	¾	(483)
Fund II	8,305	¾
Fund III	37,709	¾
	<u>\$ 46,014</u>	<u>\$ (519)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. ACQUISITION AND DISPOSITION OF PROPERTIES AND DISCONTINUED OPERATIONS**Acquisition of Properties**

On February 29, 2008, the Company acquired a portfolio of 11 self-storage properties located throughout New York and New Jersey for approximately \$174.0 million. The portfolio totals approximately 920,000 net rentable square feet. Ten properties are operating and one is currently under construction. The Company is in the process of completing its purchase price allocation in accordance with SFAS No. 141.

Discontinued Operations

In accordance with SFAS No. 144, which requires discontinued operations presentation for disposals of a “component” of an entity, for all periods presented, the Company reclassified its consolidated statements of income to reflect income and expenses for properties that were sold or became held for sale prior to March 31, 2008, as discontinued operations and reclassified its consolidated balance sheets to reflect assets and liabilities related to such properties as assets and liabilities related to discontinued operations.

The combined assets and liabilities of properties held for sale for the period ended March 31, 2008 and December 31, 2007 and the combined results of operations for the three months ended March 31, 2008 and March 31, 2007 are reported separately as discontinued operations. Discontinued operations for 2008 include Ledgewood Mall located in Ledgewood, New Jersey and a residential complex located in Winston-Salem, North Carolina. In addition, 2007 discontinued operations included Amherst Market Place, Sheffield Crossing and a residential complex located in Missouri, all of which the Company sold during the fourth quarter of 2007.

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

(dollars in thousands)	<u>March 31, 2008</u>	<u>December 31, 2007</u>
ASSETS		
Net real estate	\$ 26,401	\$ 26,351
Rents, receivable, net	1,445	1,514
Prepaid expenses	84	166
Deferred charges, net	2,980	2,946
Other assets	<u>16</u>	<u>69</u>
Total assets of discontinued operations	<u>\$ 30,926</u>	<u>\$ 31,046</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 89	\$ 456
Other liabilities	<u>336</u>	<u>331</u>
Total liabilities of discontinued operations	<u>\$ 425</u>	<u>\$ 787</u>
For the three months ended		
March 31,		
	<u>2008</u>	<u>2007</u>
(dollars in thousands)		
Total revenues	\$ 2,811	\$ 4,063
Total expenses	<u>1,434</u>	<u>3,018</u>
Operating income	1,377	1,045
Impairment of real estate	¾	¾
Loss on sale of property	¾	¾
Minority interest	<u>(27)</u>	<u>(21)</u>
Income from discontinued operations	<u>\$ 1,350</u>	<u>\$ 1,024</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS

Investments In and Advances to Unconsolidated Partnerships

Retailer Controlled Property Venture (“RCP Venture”)

During January of 2004, the Company commenced the RCP Venture with Klaff Realty, LP (“Klaff”) and Lubert-Adler Management, Inc. for the purpose of making investments in surplus or underutilized properties owned by retailers. As of March 31, 2008, the Company has invested \$56.1 million through the RCP Venture on a non-recourse basis. The expected size of the RCP Venture is approximately \$300 million, of which the Company’s share is \$60 million. Cash flow from any investment in which the RCP Venture participants elect to invest, is to be distributed to the participants until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff and 80% to the partners (including Klaff).

Mervyns Department Stores

During September of 2004, the RCP Venture invested in a consortium to acquire the Mervyns Department Store chain (“Mervyns”) from Target Corporation. The gross acquisition price of \$1.2 billion was financed with \$800 million of debt and \$400 million of equity. As of March 31, 2008, the Company’s share of this investment was \$26.8 million.

During 2005, the Company made add-on investments in Mervyns totaling \$1.3 million. The Company accounts for these add-on investments using the cost method due to the minor ownership interest and the inability to exert influence over the partnership’s operating and financial policies.

Albertson’s

During June of 2006, the RCP Venture made its second investment as part of an investment consortium, acquiring Albertson’s and Cub Foods, of which the Company’s share was \$20.7 million. Through March 31, 2008, the Company had received aggregate cash distributions of \$53.7 million from this investment, which was primarily sourced from the disposition of certain operating stores and a refinancing of the remaining assets held by Albertson’s. The extraordinary gain of \$30.2 million recognized during 2007 represents the Company’s share of the gain reported by Albertson’s, which reflected the excess of fair value of net assets acquired over the purchase price in accordance with SFAS No. 141.

During 2007, Company made add-on investments in Albertson’s totaling \$2.8 million and received distributions totaling \$0.8 million. The Company accounts for these add-on investments using the cost method due to the minor ownership interest and the inability to exert influence over the partnership’s operating and financial policies.

Other Investments

During 2006, the Company made investments of \$1.1 million in Shopko, a regional multi-department retailer that had 358 stores located throughout the Midwest, Mountain and Pacific Northwest, and \$0.7 million in Marsh, a regional supermarket chain operating 271 stores in central Indiana, Illinois and western Ohio, through the RCP Venture. During 2007, the Company received a \$1.1 million cash distribution from the Shopko investment representing 100% of its invested capital.

During July of 2007, the RCP Venture acquired a portfolio of 87 retail properties from Rex Stores Corporation, which was comprised of electronic retail stores located in 27 states. The Company’s share of this investment was \$2.7 million.

The Company accounts for the two above investments using the cost method due to its minor ownership interest and the inability to exert influence over the partnership’s operating and financial policies.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

Investments In and Advances to Unconsolidated Partnerships (continued)

The following table summarizes the RCP Venture investments from inception through March 31, 2008:

(dollars in thousands)

Investor	Investment	Year acquired	Invested capital	Distributions	Operating Partnership Share	
					Invested capital	Distributions
Mervyns I and Mervyns II	Mervyns	2004	\$ 26,773	\$ 45,966	\$ 4,901	\$ 11,251
Mervyns I and Mervyns II	Mervyns add-on investments	2005	1,342	1,342	283	283
Mervyns II	Albertson's	2006	20,717	53,660	4,239	9,847
Mervyns II	Albertson's add-on investments	2006/2007	2,765	833	386	93
Fund II	Shopko	2006	1,100	1,100	220	220
Fund II	Marsh	2006	667	—	133	—
Mervyns II	Rex	2007	2,701	—	535	—
Total			<u>\$ 56,065</u>	<u>\$ 102,901</u>	<u>\$ 10,697</u>	<u>\$ 21,694</u>

Brandywine Portfolio

The Company owns a 22.2% interest in a one million square foot retail portfolio located in Wilmington, Delaware (the "Brandywine Portfolio") that is accounted for using the equity method.

Crossroads

The Company owns a 49% interest in the Crossroads Joint Venture and Crossroads II (collectively, "Crossroads"), which collectively own a 311,000 square foot shopping center located in White Plains, New York that is accounted for using the equity method.

Other Investments

Fund I Investments

Fund I has joint ventures with unaffiliated third-party investors in the ownership and operation of the following shopping centers, which are accounted for using the equity method of accounting.

Shopping Center	Location	Year Acquired	Gross Leasable Area
Haygood Shopping Center	Virginia Beach, VA	2004	178,533
Sterling Heights Shopping Center	Detroit, MI	2004	154,835
Total			<u>333,368</u>

Fund II Investments

Fund II has invested \$1.2 million as a 50% owner in an entity, which has a leasehold interest in a former Levitz Furniture store located in Rockville, Maryland, that is accounted for using the equity method.

Fund II's approximately 25% investment in CityPoint is accounted for using the equity method. CityPoint was determined to be a variable interest entity and the Company was determined not to be the primary beneficiary. The Company's maximum exposure is its current investment balance of \$30.3 million.

In addition to these investments, the Company had made advances to unconsolidated affiliates totaling \$4.0 million as of March 31, 2008.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS, (continued)

Summary of Investments in Unconsolidated Affiliates

The following tables summarize the Company's investments in unconsolidated affiliates as of March 31, 2008 and December 31, 2007.

(dollars in thousands)	March 31, 2008					Total
	RCP Venture	CityPoint	Brandywine Portfolio	Crossroads	Other Investments	
Balance Sheets						
Assets:						
Rental property, net	\$ ¾	\$ 149,670	\$ 131,702	\$ 5,426	\$ 26,681	\$ 313,479
Investment in unconsolidated affiliates	318,262	¾	¾	¾	¾	318,262
Other assets	¾	1,723	8,982	4,514	5,907	21,126
Total assets	<u>\$ 318,262</u>	<u>\$ 151,393</u>	<u>\$ 140,684</u>	<u>\$ 9,940</u>	<u>\$ 32,588</u>	<u>\$ 652,867</u>
Liabilities and partners' equity						
Mortgage note payable	\$ ¾	\$ 34,000	\$ 166,200	\$ 63,793	\$ 16,837	\$ 280,830
Other liabilities	¾	668	8,548	1,208	2,226	12,650
Partners equity (deficit)	318,262	116,725	(34,064)	(55,061)	13,525	359,387
Total liabilities and partners' equity	<u>\$ 318,262</u>	<u>\$ 151,393</u>	<u>\$ 140,684</u>	<u>\$ 9,940</u>	<u>\$ 32,588</u>	<u>\$ 652,867</u>
Company's investment in and advances to unconsolidated affiliates	<u>\$ 22,685</u>	<u>\$ 30,310</u>	<u>\$ ¾</u>	<u>\$ ¾</u>	<u>\$ 5,965</u>	<u>\$ 58,960</u>
Share of distributions in excess of share of income and investment in unconsolidated affiliates	<u>\$ ¾</u>	<u>\$ ¾</u>	<u>\$ (7,860)</u>	<u>\$ (12,221)</u>	<u>\$ ¾</u>	<u>\$ (20,081)</u>

(dollars in thousands)	December 31, 2007					Total
	RCP Venture	CityPoint	Brandywine Portfolio	Crossroads	Other Investments	
Balance Sheets						
Assets						
Rental property, net	\$ —	\$ 145,775	\$ 136,942	\$ 5,552	\$ 38,137	\$ 326,406
Investment in unconsolidated affiliates	195,672	—	—	—	—	195,672
Other assets	—	3,046	10,631	4,372	6,650	24,699
Total assets	<u>\$ 195,672</u>	<u>\$ 148,821</u>	<u>\$ 147,573</u>	<u>\$ 9,924</u>	<u>\$ 44,787</u>	<u>\$ 546,777</u>
Liabilities and partners' equity						
Mortgage note payable	\$ —	\$ 34,000	\$ 166,200	\$ 64,000	\$ 33,084	\$ 297,284
Other liabilities	—	2,213	9,629	1,112	2,307	15,261
Partners equity (deficit)	195,672	112,608	(28,256)	(55,188)	9,396	234,232
Total liabilities and partners' equity	<u>\$ 195,672</u>	<u>\$ 148,821</u>	<u>\$ 147,573</u>	<u>\$ 9,924</u>	<u>\$ 44,787</u>	<u>\$ 546,777</u>
Company's investment in and advances to unconsolidated affiliates	<u>\$ 9,813</u>	<u>\$ 28,890</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,951</u>	<u>\$ 44,654</u>
Share of distributions in excess of share of income and investment in unconsolidated affiliates	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7,822)</u>	<u>\$ (12,185)</u>	<u>\$ —</u>	<u>\$ (20,007)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS, (continued)

(dollars in thousands)	Three Months Ended March 31, 2008				
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	Total
Statements of Operations					
Total revenue	\$ ¾	\$ 5,156	\$ 2,063	\$ 1,241	\$ 8,460
Operating and other expenses	¾	1,617	798	1,278	3,693
Interest expense	¾	2,519	867	244	3,630
Equity in earnings of affiliates	138,487	¾	¾	¾	138,487
Depreciation and amortization	¾	1,067	271	226	1,564
Net income (loss)	<u>\$ 138,487</u>	<u>\$ (47)</u>	<u>\$ 127</u>	<u>\$ (507)</u>	<u>\$ 138,060</u>
Company's share of net income (loss)	<u>\$ 13,326</u>	<u>\$ (11)</u>	<u>\$ (36)</u>	<u>\$ (44)</u>	<u>\$ 13,235</u>

(dollars in thousands)	Three Months Ended March 31, 2007				
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	Total
Statements of Operations					
Total revenue	\$ —	\$ 4,869	\$ 2,066	\$ 1,465	\$ 8,400
Operating and other expenses	—	1,482	650	621	2,753
Interest expense	—	2,491	859	521	3,871
Equity in earnings of unconsolidated affiliates	20,747	—	—	—	20,747
Equity in earnings of unconsolidated affiliates — extraordinary gain	125,264	—	—	—	125,264
Depreciation and amortization	—	763	107	581	1,451
Net income (loss)	<u>\$ 146,011</u>	<u>\$ 133</u>	<u>\$ 450</u>	<u>\$ (258)</u>	<u>\$ 146,336</u>
Company's share of net income (loss) before extraordinary gain	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ 123</u>	<u>\$ (24)</u>	<u>\$ 130</u>
Company's share of extraordinary gain	<u>\$ 23,690</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 23,690</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of March 31, 2008. The notional value does not represent exposure to credit, interest rate or market risks.

(dollars in thousands)

<u>Derivative Instrument</u>	<u>Notional Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
LIBOR Swap	\$ 4,640	4.71%	1/1/10	\$ (188)
LIBOR Swap	11,410	4.90%	10/1/11	(756)
LIBOR Swap	8,434	5.14%	3/1/12	(661)
LIBOR Swap	9,800	4.47%	10/29/10	(481)
Total Interest Rate Swaps	<u>\$ 34,284</u>			<u>(2,086)</u>
Interest Rate Cap				
LIBOR Cap	<u>\$ 30,000</u>	6.0%	4/1/08	<u>(28)</u>
Net derivative instrument liability				<u>\$ (2,114)</u>

9. MORTGAGE LOANS

During the first three months of 2008, the Company borrowed \$30.1 million on three existing construction loans.

During February 2008, in conjunction with the purchase of a portfolio of properties, the Company assumed loans of \$34.9 million, which bears interest at a fixed rate of 5.9% and matures on June 11, 2009, and \$5.0 million, which bears interest at a fixed rate of 5.4% and matures on December 1, 2009.

During the first quarter of 2008, the Company closed on a \$41.5 million loan, which bears interest at a fixed rate of 5.3% and matures on March 16, 2011.

During the first quarter of 2008, the Company borrowed \$14.2 million on an existing credit facility. This money was repaid during the first quarter.

During the first quarter of 2008, the Company borrowed \$83.0 million on an existing credit facility of which \$41.0 million was repaid during the first quarter.

10. CONVERTIBLE NOTES PAYABLE

In December 2006 and January 2007, the Company issued \$115.0 million of convertible notes with a fixed interest rate of 3.75% due 2026 (the "Convertible Notes"). The Convertible Notes were issued at par and require interest payments semi-annually in arrears on June 15th and December 15th of each year. The Convertible Notes are unsecured unsubordinated obligations and rank equally with all other unsecured and unsubordinated indebtedness.

11. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted SFAS No. 157 for its financial assets and liabilities. SFAS No. 157 establishes a new framework for measuring fair value and expands disclosure requirements. SFAS No. 157 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

SFAS No. 157's valuation techniques are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. FAIR VALUE MEASUREMENTS, continued

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant value drivers are observable.
- Level 3 — Valuations derived from valuation techniques in which significant value drivers are unobservable.

The following describes the valuation methodologies the Company uses to measure financial assets and liabilities at fair value:

Notes Receivable — The Company's notes receivable are valued using Level 3 inputs. Given the short-term nature of the notes and the fact that several of the notes are demand notes, the Company has determined that the carrying value of the notes receivable approximates fair value.

Derivative Instruments — The Company's derivative financial liabilities primarily represent interest rate swaps and a cap and are valued using Level 2 inputs. The fair value of these instruments is based upon the estimated amounts the Company would receive or pay to terminate the contracts as of March 31, 2008 and is determined using interest rate market pricing models. With the adoption of SFAS No. 157, the Company has amended the techniques used in measuring the fair value of its derivative positions. This enhancement includes the impact of credit valuation adjustments on derivatives measured at fair value. The implementation of this enhancement did not have a material impact on the Company's consolidated financial position or results of operations.

Mortgage Notes Payable and Convertible Notes Payable — The value of the Company's mortgage and convertible notes payable are valued using Level 3 inputs. The Company determines the estimated fair value of its mortgage and convertible notes payable through the use of valuation methodologies using current market interest rate data.

The following table presents the Company's assets and liabilities measured at fair value based on level of inputs at March 31, 2008:

<u>March 31, 2008</u> (dollars in thousands)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Notes receivable	\$ —	\$ —	\$ 57,698	\$ 57,698
Total assets	\$ —	\$ —	\$ 57,698	\$ 57,698
Liabilities				
Derivatives	\$ —	\$ 2,114	\$ —	\$ 2,114
Mortgage and convertible notes payable	—	—	663,850	663,850
Total liabilities	\$ —	\$ 2,114	\$ 663,850	\$ 665,964

The following table reflects the changes in the Company's Level 3 financial assets and liabilities measured on a recurring basis for the three months ended March 31, 2008:

(dollars in thousands)

	<u>Balance at January 1, 2008</u>	<u>Net realized/ unrealized gains (losses) included in earnings</u>	<u>Net unrealized gains (losses)</u>	<u>Purchases, issuances and settlements</u>	<u>Balance at March 31, 2008</u>
Notes receivable	\$ 57,662	\$ —	\$ —	\$ 36	\$ 57,698
Mortgage and convertible notes payable	\$ 519,371	\$ —	\$ (3,667)	\$ 148,146	\$ 663,850

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS

The Company earns asset management, leasing, disposition, development and construction fees for providing services to an existing portfolio of retail properties and/or leasehold interests in which Klaff has an interest. Fees earned by the Company in connection with this portfolio were \$0.4 million and \$0.7 million for the three months ended March 31, 2008 and 2007, respectively.

Lee Wielansky, the Lead Trustee of the Company, was paid a consulting fee of \$25,000 for each of the three months ended March 31, 2008 and 2007.

13. SEGMENT REPORTING

The Company has three reportable segments: Core Portfolio, Opportunity Funds and Other, which primarily consists of management fee and interest income. 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. Investments in the Core Portfolio are typically held long-term. Given the finite life of the Opportunity Funds, these investments are typically held for shorter terms. Fees earned by the Company as general partner/member of the Opportunity Funds are eliminated in consolidation and recognized through a reduction in minority interest expense in the Company's consolidated financial statements in accordance with GAAP. The Company previously reported two reportable segments, retail properties and multi-family properties. During December of 2007, the Company sold a residential complex and held its remaining residential complex for sale. Subsequent to March 31, 2008, the Company sold this last residential complex. Also during 2007, the Company expanded its Opportunity Fund platform with the formation of Fund III. Accordingly, it has realigned its segments to reflect the current business orientation of the Company. The following table sets forth certain segment information for the Company, reclassified for discontinued operations, as of and for the three months ended March 31, 2008 and 2007 (does not include unconsolidated affiliates):

Three Months Ended March 31, 2008

(dollars in thousands)	Core Portfolio	Opportunity Funds	Other	Elimination	Total
Revenues	\$ 15,446	\$ 6,593	\$ 11,991	\$ (7,158)	\$ 26,872
Property operating expenses and real estate taxes	4,691	3,335	¾	(1,349)	6,677
Other expenses	6,713	3,493	¾	(3,817)	6,389
Net income before depreciation and amortization	\$ 4,042	\$ (235)	\$ 11,991	\$ (1,992)	\$ 13,806
Depreciation and amortization	\$ 3,831	\$ 2,687	\$ ¾	\$ ¾	\$ 6,518
Interest expense	\$ 4,244	\$ 1,844	\$ ¾	\$ ¾	\$ 6,088
Real estate at cost	\$ 443,465	\$ 546,311	\$ ¾	\$ (1,816)	\$ 987,960
Total assets	\$ 560,756	\$ 637,791	\$ ¾	\$ (1,992)	\$ 1,196,555
Expenditures for real estate and improvements	\$ 791	\$ 154,077	\$ ¾	\$ ¾	\$ 154,868

Reconciliation to net income

Net property income before depreciation and amortization	\$ 13,806
Depreciation and amortization	(6,518)
Equity in earnings of unconsolidated affiliates	13,235
Interest expense	(6,088)
Income tax provision	(1,857)
Minority interest	(5,185)
Income from discontinued operations	1,350
Net income	\$ 8,743

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. SEGMENT REPORTING (continued)**Three Months Ended March 31, 2007**

(dollars in thousands)	<u>Core Portfolio</u>	<u>Opportunity Funds</u>	<u>Other</u>	<u>Elimination</u>	<u>Total</u>
Revenues	\$ 13,924	\$ 4,610	\$ 6,805	\$ (2,705)	\$ 22,634
Property operating expenses and real estate taxes	4,511	1,095	¾	(78)	5,528
Other expenses	5,567	1,251	¾	(1,370)	5,448
Net income before depreciation and amortization	<u>\$ 3,846</u>	<u>\$ 2,264</u>	<u>\$ 6,805</u>	<u>\$ (1,257)</u>	<u>\$ 11,658</u>
Depreciation and amortization	<u>\$ 3,360</u>	<u>\$ 2,273</u>	<u>\$ ¾</u>	<u>\$ ¾</u>	<u>\$ 5,633</u>
Interest expense	<u>\$ 4,502</u>	<u>\$ 1,222</u>	<u>\$ ¾</u>	<u>\$ (117)</u>	<u>\$ 5,607</u>
Real estate at cost	<u>\$ 418,519</u>	<u>221,492</u>	<u>¾</u>	<u>(592)</u>	<u>\$ 639,419</u>
Total assets	<u>\$ 604,145</u>	<u>\$ 238,494</u>	<u>\$ ¾</u>	<u>\$ (1,140)</u>	<u>\$ 841,499</u>
Expenditures for real estate and improvements	<u>\$ 54,230</u>	<u>\$ 10,383</u>	<u>\$ ¾</u>	<u>\$ ¾</u>	<u>\$ 64,613</u>

Reconciliation to net income

Net property income before depreciation and amortization	\$ 11,658
Depreciation and amortization	(5,634)
Equity in earnings of unconsolidated affiliates	130
Interest expense	(5,607)
Income tax provision	(44)
Minority interest	2,309
Income from discontinued operations	1,024
Income from extraordinary gain	2,883
Net income	<u>\$ 6,719</u>

14. STOCK-BASED COMPENSATION

During the quarter ended March 31, 2008, the Company issued Restricted Common Shares (“Restricted Shares”) and Restricted Partnership Units (“LTIP Units”) to officers and employees. The Restricted Shares do not carry voting rights or other rights of Common Shares until vesting and may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. Dividends are not paid currently on unvested Restricted Shares, but are paid cumulatively, from the issuance date through the applicable vesting date of such Restricted Shares vesting. LTIP Units are similar to Restricted Shares but provide for a quarterly partnership distribution in a like amount as paid to Common Operating Partnership Units. This distribution is paid on both unvested and vested LTIP Units. The LTIP Units are convertible into Common Operating Partnership Units and, ultimately, into Common Shares upon vesting and a revaluation of the book capital accounts. Vesting for all Restricted Shares and LTIP Units are subject to the recipient’s continued employment with the Company through the applicable vesting dates.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. STOCK-BASED COMPENSATION, continued

On January 31, 2008, the Company issued 4,722 Restricted Shares and 156,058 LTIP Units to officers of the Company. On February 1, 2008, and March 27, 2008, the Company also issued 1,050 and 11,672 LTIP Units, respectively, to an officer of the Company. Vesting with respect to these awards is recognized over a range of the next seven to ten annual anniversaries of the issuance date. The vesting on 50% of these awards is also generally subject to achieving certain total shareholder returns on the Company's Common Shares or certain annual earnings growth.

Also on January 31, 2008, the Company issued 26,999 Restricted Shares to employees of the Company. Vesting with respect to these awards is recognized ratably over the next four annual anniversaries of the issuance date. The vesting on 25% of these awards is also subject to achieving certain total shareholder returns on the Company's Common Shares or certain annual earnings growth.

The total value of the Restricted Shares and LTIP Units issued during the three months ended March 31, 2008 was \$4.9 million, of which \$1.4 million has been recognized in compensation expense in 2007 and \$3.5 million will be recognized in compensation expense over the vesting period. Compensation expense of \$126,000 has been recognized in the accompanying financial statements related to these Restricted Shares and LTIP Units for the three months ended March 31, 2008. Total stock-based compensation expense, including the expense related to the above mentioned plans, for the three months ended March 31, 2008 and 2007 was \$0.9 million and \$0.8 million, respectively.

15. DIVIDENDS AND DISTRIBUTIONS PAYABLE

On March 19, 2008, the Board of Trustees of the Company approved and declared a cash dividend for the quarter ended March 31, 2008 of \$0.21 per Common Share and Common OP Unit. The dividend was paid on April 15, 2008 to shareholders of record as of March 31, 2008.

16. SUBSEQUENT EVENTS

On April 16, 2008, the Company, through Fund I, completed the sale of Haygood Shopping Center, located in Virginia Beach, Virginia for \$24.9 million.

On April 22, 2008, the Company acquired a single-tenant retail property located in midtown Manhattan for \$9.2 million. The 20,000 square foot property is located on 17th Street and 5th Avenue.

On April 29, 2008, the Company completed the sale of a residential complex, the Village Apartments, located in Winston-Salem, North Carolina for \$23.3 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is based on the consolidated financial statements of the Company as of March 31, 2008 and 2007 and for the three months then ended. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

FORWARD-LOOKING STATEMENTS

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 that may cause our actual results, performance or achievements to be materially different from any future results performance or achievements expressed or implied by such forward-looking statements. Such factors are set forth under the heading “Item 1A. Risk Factors” in our Form 10-K for the year ended December 31, 2007 and 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 our 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. Except as required by law, we do not undertake any obligation to update or revise any forward-looking statements contained in this Form 10-Q.

OVERVIEW

We currently operate 85 properties, which we own or have an ownership interest in, within our core portfolio or within our three opportunity funds. These properties consist of commercial properties, primarily neighborhood and community shopping centers, self-storage and mixed-use properties with a retail component. The properties we operate are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. Our core portfolio consists of 34 properties comprising approximately five million square feet. Fund I has 28 properties comprising approximately 1.5 million square feet. Fund II has ten properties, the majority of which are currently under redevelopment and will have approximately 2.3 million square feet upon completion of redevelopment activities. Fund III has 13 properties totaling approximately 1.2 million square feet. The majority of our operating income derives from the rental revenues from these properties, including recoveries from tenants, offset by operating and overhead expenses. As our RCP Venture invests in operating companies, we consider these investments to be private-equity style, as opposed to real estate, investments. Since these are not traditional investments in operating rental real estate, the Operating Partnership invests in these through a taxable REIT subsidiary (“TRS”).

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

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

CRITICAL ACCOUNTING POLICIES

Management’s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. No material changes to our critical accounting policies have occurred since December 31, 2007.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2008 (“2008”) to the three months ended March 31, 2007 (“2007”)

<i>Revenues</i>	2008			2007		
	<i>Core Portfolio</i>	<i>Opportunity Funds</i>	<i>Other (1)</i>	<i>Core Portfolio</i>	<i>Opportunity Funds</i>	<i>Other (1)</i>
(dollars in millions)						
Minimum rents	\$ 11.4	\$ 6.2	\$ —	\$ 10.7	\$ 4.7	\$ —
Percentage rents	0.2	—	—	0.1	—	—
Expense reimbursements	3.8	0.2	—	2.9	—	—
Other property income	0.1	0.2	—	0.1	—	—
Management fee income	—	—	2.0	—	—	1.1
Interest income	—	—	2.8	—	—	2.8
Other	—	—	—	0.2	—	—
Total revenues	\$ 15.5	\$ 6.6	\$ 4.8	\$ 14.0	\$ 4.7	\$ 3.9

Note:

(1) Includes amounts eliminated in consolidation which are adjusted in Minority Interest. Reference is made to Note 13 to the Notes to Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q for an overview of the Company’s three reportable segments.

The increase in minimum rents in the Core Portfolio was attributable to additional rents following our acquisition of 200 West 54th Street and 145 East Service Road (“2007 Core Acquisitions”) of \$0.8 million. The increase in rents in the Opportunity Funds primarily relates to additional rents following the acquisition of 125 Main Street and Storage Post Portfolio (“2007/2008 Fund Acquisitions”) of \$1.2 million, as well as 216th Street being placed in service October 1, 2007.

Expense reimbursements in the Core Portfolio increased for both common area maintenance (“CAM”) and real estate taxes in 2008. CAM expense reimbursements in the Core Portfolio increased \$0.7 as a result of the negative impact of the 2006 year end CAM reconciliation billings and related adjustments completed during the first quarter of 2007. Real estate tax reimbursements increased \$0.2 million, primarily as a result of the 2007 Core Acquisitions. The increase in expense reimbursements in the Opportunity Funds relates primarily to higher real estate tax expense in 2008.

Management fee income increased primarily as a result of fees earned from the investment in City Point. This increase was offset by lower fees earned in connection with the Klaff management contracts following the disposition of certain assets in 2007.

The decrease in other income was primarily attributable to additional income related to termination of interest rate swap agreements in 2007.

<i>Operating Expenses</i>	2008			2007		
	<i>Core Portfolio</i>	<i>Opportunity Funds</i>	<i>Other (1)</i>	<i>Core Portfolio</i>	<i>Opportunity Funds</i>	<i>Other (1)</i>
(dollars in millions)						
Property Operating	\$ 2.6	\$ 1.6	\$ (0.1)	\$ 2.7	\$ 0.9	\$ —
Real Estate Taxes	2.1	0.5	—	1.8	0.2	—
General and administrative	6.7	4.7	(5.0)	5.6	1.2	(1.4)
Depreciation and amortization	3.8	2.7	—	3.3	2.3	—
Total operating expenses	\$ 15.2	\$ 9.5	\$ (5.1)	\$ 13.4	\$ 4.6	\$ (1.4)

Note:

(1) Includes amounts eliminated in consolidation which are adjusted in Minority Interest. Reference is made to Note 13 to the Notes to Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q for an overview of the Company’s three reportable segments.

The increase in property operating expenses in the Opportunity Funds was primarily the result of the 2007/2008 Fund Acquisitions.

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The increase in real estate taxes in the Core Portfolio was due to the 2007 Core Acquisitions as well as general increases in real estate taxes experienced across the core portfolio. The increase in real estate taxes in the Opportunity Funds was attributable to the 2007/2008 Fund Acquisitions and an adjustment of prior year over estimation of taxes of \$0.2 million recorded in 2007.

The increase in general and administrative expense in the Core Portfolio was primarily attributable to increased compensation expense of \$0.9 million for additional personnel hired in the second half of 2007 and in 2008 as well as increases in existing employee salaries. In addition, there was an increase of \$0.7 million for other overhead expenses following the expansion of our infrastructure related to increased activity in Opportunity Fund assets and asset management services. These factors were partially offset by an increase in capitalized construction salaries due to increased redevelopment activities in 2008. The increase in general and administrative expense in the Opportunity Funds primarily related to the Fund III asset management fee of \$1.9 million, Promote expense of \$1.2 million related to Fund I and Mervyns I as well as Fund III abandoned project costs of \$0.3 million in 2008. The decrease in general and administrative in Other/Elimination primarily relates to the elimination of the Fund III asset management fee and the elimination of the Fund I and Mervyns I Promote expense for consolidated financial statement purposes in accordance with GAAP.

Depreciation expense in the Core Portfolio increased \$0.4 million in 2008. This was principally a result of increased depreciation expense following the 2007 Core Acquisitions. Amortization expense in the Core Portfolio increased \$0.1 million due to the amortization of additional tenant installation costs in 2008. Depreciation expense increased \$0.4 million in the Opportunity Funds due to the 2007/2008 Fund Acquisitions and 216th Street being placed in service October 1, 2007.

<i>Other</i>	2008			2007		
	Core Portfolio	Opportunity Funds	Other (1)	Core Portfolio	Opportunity Funds	Other (1)
(dollars in millions)						
Equity in earnings (losses) of unconsolidated affiliates	\$ —	\$13.2	\$ —	\$ 0.2	\$(0.1)	\$ —
Interest Expense	(4.3)	(1.8)	—	(4.5)	(1.2)	0.1
Minority Interest	0.1	(6.7)	1.4	0.3	1.3	0.7
Income Taxes	1.9	—	—	—	—	—
Income from discontinued operations	—	—	1.3	—	—	1.0
Extraordinary item	—	—	—	—	—	2.9

Note:

- (1) Includes amounts eliminated in consolidation which are adjusted in Minority Interest. Reference is made to Note 13 to the Notes to Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q for an overview of the Company's three reportable segments.

Equity in earnings (losses) of unconsolidated affiliates in the Opportunity Funds increased as a result of our pro rata share of gains from the sale of Mervyns locations in 2008.

Interest expense in the Core Portfolio decreased \$0.2 million in 2008. This was the result of a \$0.1 million decrease attributable to lower average interest rates on the portfolio mortgage debt in 2008 and \$0.4 million of costs associated with a loan payoff in 2007. These decreases were offset by a \$0.3 million increase resulting from higher average outstanding borrowings in 2008. Interest expense in the Opportunity Fund increased \$0.6 million in 2008. This was attributable to an increase of \$1.0 million due to higher average outstanding borrowings in 2008 offset by a \$0.4 million decrease related to lower average interest rates on the portfolio mortgage debt in 2008.

The minority interest in the Opportunity Funds primarily represents the minority partners' share of all Opportunity Fund activity and ranges from a 77.8% interest in Opportunity Fund I to an 80.1% interest in Opportunity Fund III. The variance between 2008 and 2007 represents the minority partners' share of all the Opportunity Funds variances discussed above. The minority interest in other/Elimination relates to the minority partners' share of capitalized construction, leasing and legal fees.

The variance in income tax expense in the Core Portfolio primarily relates to income taxes at the taxable REIT subsidiary ("TRS") level for our share of gains from the sale of Mervyns locations in 2008.

Income from discontinued operations represents activity related to properties held for sale in 2008 and properties sold in 2007.

The extraordinary item in 2007 in the Opportunity Funds relates to our share of the extraordinary gain, net of income taxes and minority interest, from our Albertson's investment.

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Funds from Operations

Consistent with the National Association of Real Estate Investment Trusts (“NAREIT”) definition, we define funds from operations (“FFO”) as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

In addition to presenting FFO in accordance with the NAREIT definition, we also disclose FFO for the three months ended March 31, 2007 as adjusted to include the extraordinary gain from our RCP investment in Albertson’s. This gain was a result of distributions we received in excess of our invested capital of which the Operating Partnership’s share, net of minority interests and income taxes, amounted to \$2.9 million. This gain was characterized as extraordinary in our GAAP financial statements as a result of the nature of the income passed through from Albertson’s. As previously discussed under “Overview” in Item 2 in this Form 10-Q, we believe that income or gains derived from our RCP Venture investments, including our investment in Albertson’s, are private-equity investments and, as such, should be treated as operating income and therefore FFO. The character of this income in our underlying accounting does not impact this conclusion. Accordingly, we believe that this supplemental adjustment to FFO provides useful information to investors because we believe it more appropriately reflects the results of our operations.

We consider FFO to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO and FFO, as adjusted, are presented to assist investors in analyzing our performance. They are helpful as they exclude various items included in net income that are not indicative of the operating performance, such as gains (or losses) from sales of property and depreciation and amortization. However, our method of calculating FFO and FFO, as adjusted, may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO and FFO, as adjusted, do not represent cash generated from operations as defined by GAAP and are not indicative of cash available to fund all cash needs, including distributions. They should not be considered as an alternative to net income for the purpose of evaluating our performance or to cash flows as measures of liquidity.

The reconciliation of net income to FFO for the three months ended March 31, 2008 and 2007 is as follows:

(dollars in millions)	Three months ended	
	March 31,	
	2008	2007
Net income	\$ 8.7	\$ 6.7
Depreciation of real estate and amortization of leasing costs (net of minority interests’ share)		
Consolidated affiliates	3.6	4.8
Unconsolidated affiliates	0.5	0.5
Income attributable to Minority interest in Operating Partnership (1)	0.1	0.1
Extraordinary item (net of minority interests’ share and income taxes)	<u>¾</u>	<u>(2.9)</u>
Funds from operations	12.9	9.2
Extraordinary item, net (2)	<u>¾</u>	<u>2.9</u>
Funds from operations, adjusted for extraordinary item	<u>\$ 12.9</u>	<u>\$ 12.1</u>
Cash flows (used in) provided by:		
Operating activities	\$ (5.3)	\$ 55.5
Investing activities	\$ (157.3)	\$ (45.3)
Financing activities	\$ 135.1	\$ (38.1)

Notes:

- (1) Does not include distributions paid to Series A and B Preferred OP Unit holders.
- (2) The extraordinary item represents the Company’s share of extraordinary gain related to its investment in Albertson’s which is discussed in Funds from Operations above.

USES OF LIQUIDITY

Our principal uses of liquidity are expected to be for (i) distributions to our shareholders and OP unit holders, (ii) investments which include the funding of our joint venture commitments, property acquisitions and redevelopment/re-tenanting activities within our existing portfolio and (iii) debt service and loan repayments.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the three months ended March 31, 2008, we paid dividends and distributions on our Common Shares and Common OP Units totaling \$14.1 million.

Investments**Fund I and Mervyns I**

Reference is made to Note 1 and Note 7 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Fund I and Mervyns I. Fund I has returned all invested capital and accumulated preferred return thus triggering our Promote in all future Fund I earnings and distributions. Fund I currently owns, or has ownership interest in, 28 assets comprising approximately 1.5 million square feet as follows:

<u>Shopping Center</u>	<u>Location</u>	<u>Year acquired</u>	<u>GLA</u>
New York Region			
<i>New York</i>			
Tarrytown Shopping Center	Westchester	2004	35,291
Mid-Atlantic Region			
<i>Virginia</i>			
Haygood Shopping Center (1)	Virginia Beach	2004	178,497
Midwest Region			
<i>Ohio</i>			
Granville Centre	Columbus	2002	134,997
<i>Michigan</i>			
Sterling Heights Shopping Center	Detroit	2004	154,835
Various Regions			
Kroger/Safeway Portfolio	Various	2003	987,100
Total			<u>1,490,720</u>

Note:

(1) Property sold during April 2008.

In addition, we, along with our Fund I investors have invested in Mervyns as discussed under the RCP Venture below.

Fund II and Mervyns II

Reference is made to Note 1 and Note 7 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Fund II and Mervyns II. To date, Fund II's primary investment focus has been in the New York Urban/Infill Redevelopment Initiative and the Retailer Controlled Property Venture.

Retailer Controlled Property Venture

Reference is made to Note 7 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for a discussion of RCP investments made to date.

New York Urban Infill Redevelopment Initiative

In September 2004, we, through Fund II, launched our New York Urban Infill Redevelopment initiative. During 2004, Fund II, together with an unaffiliated partner, P/A, formed Acadia P/A ("Acadia P/A") for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A has agreed to invest 10% of required capital up to a maximum of \$2.2 million and Fund II, the managing member, has agreed to invest the

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balance to acquire assets in which Acadia P/A agrees to invest. Operating cash flow is generally to be distributed pro-rata to Fund II and P/A until each has received a 10% cumulative return and then 60% to Fund II and 40% to P/A. Distributions of net refinancing and net sales proceeds, as defined, follow the distribution of operating cash flow except that unpaid original capital is returned before the 60%/40% split between Fund II and P/A, respectively. Upon the liquidation of the last property investment of Acadia P/A, to the extent that Fund II has not received an 18% internal rate of return (“IRR”) on all of its capital contributions, P/A is obligated to return a portion of its previous distributions, as defined, until Fund II has received an 18% IRR.

To date, Fund II has invested in nine New York Urban Infill Redevelopment construction projects, eight of which are in conjunction with P/A, as follows:

(dollars in millions)

Property	Location	Year acquired	Purchase price	Redevelopment		
				Anticipated additional costs	Estimated completion	Square feet upon completion
Liberty Avenue (1) (2)	Queens	2005	\$ 14.5	\$ —	Completed	125,000
216th Street (3)	Manhattan	2005	27.5	—	Completed	60,000
Pelham Manor (1)	Westchester	2004	—	47.5	2nd half 2008	320,000
161st Street	Bronx	2005	49.0	16.0	2nd half 2008	232,000
Fordham Place	Bronx	2004	30.0	95.0	1st half 2009	285,000
Canarsie Plaza	Brooklyn	2007	21.0	49.0	2nd half 2009	323,000
Sherman Plaza	Manhattan	2005	25.0	30.0	2nd half 2009	175,000
CityPoint (1)	Brooklyn	2007	29.0	296.0	(4)	600,000
Atlantic Avenue (5)	Brooklyn	2007	5.0	18.0	2nd half 2009	110,000
Total			\$ 201.0	\$ 551.5		2,230,000

Notes:

- (1) Fund II acquired a ground lease interest at this property.
- (2) Liberty Avenue redevelopment is complete. The purchase price includes redevelopment costs of \$14.5 million.
- (3) 216th Street redevelopment is complete. The purchase price includes redevelopment costs of \$20.5 million.
- (4) To be determined
- (5) P/A is not a partner in this project.

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

Reference is made to Note 1 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Fund III. With \$503 million of committed discretionary capital, Fund III expects to be able to acquire or develop approximately \$1.5 billion of real estate assets on a leveraged basis. As of March 31, 2008, \$96.5 million has been invested in Fund III, of which \$19.2 million was contributed by the Operating Partnership.

Fund III has invested in the New York Urban/Infill Redevelopment initiative (Brooklyn) and another investment as follows:

Property	Location	Year acquired	Purchase price	Redevelopment (dollars in millions)		
				Anticipated additional costs	Estimated completion	Square feet upon completion
Sheepshead Bay	Brooklyn, NY	2007	\$ 20.0	\$ 89.0	(1)	240,000
Main Street	Westport, CT	2007	17.0	6.0	(1)	30,000
Total			\$ 37.0	\$ 95.0		270,000

Note:

- (1) To be determined.

During February 2008, Acadia, through Fund III, and in conjunction with an unaffiliated partner, Storage Post (“Storage Post”), acquired a portfolio of eleven self-storage properties from Storage Post’s existing institutional investors for approximately \$174.0 million. The portfolio totals approximately 920,000 net rentable square feet, of which ten properties are operating at various stages of stabilization. The remaining property is currently under construction. The properties are located throughout New York and New Jersey. The portfolio continues to be operated by Storage Post, which is an equity partner.

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Other Investments

During April 2008, the Company acquired a single-tenant retail property located in midtown Manhattan for \$9.2 million. The 20,000 square foot property is located on 17th Street near 5th Avenue. This addition to Acadia's core portfolio successfully completed a tax deferred exchange in connection with the fourth quarter 2007 sale of a residential complex located in Columbia, Missouri.

Share Repurchase

We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of our outstanding Common Shares. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. The repurchase of our Common Shares was not a use of our liquidity during 2007. There were no Common Shares repurchased by us during the three months ended March 31, 2008.

SOURCES OF LIQUIDITY

We intend on using Fund II and Fund III, as well as new funds that we may establish in the future, as the primary vehicles for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Additional sources of capital for funding property acquisitions, redevelopment, expansion and re-tenanting and RCP Venture investments are expected to be obtained primarily from (i) the issuance of public equity or debt instruments, (ii) cash on hand, (iii) additional debt financings, (iv) unrelated member capital contributions and (v) future sales of existing properties. As of March 31, 2008, we had approximately \$160.4 million of additional capacity under existing debt facilities and cash and cash equivalents on hand of \$95.9 million.

Financing and Debt

At March 31, 2008, mortgage and convertible notes payable aggregated \$665.1 million, net of unamortized premium of \$0.9 million, and were collateralized by 59 properties and related tenant leases. Interest rates on our outstanding mortgage indebtedness and convertible notes payable ranged from 3.75% to 8.5% with maturities that ranged from October 2008 to November 2032. Taking into consideration \$34.0 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$493.3 million of the portfolio, or 74.2%, was fixed at a 4.87% weighted average interest rate and \$171.8 million, or 25.8% was floating at a 4.18% weighted average interest rate. There is \$21.7 million and \$164.4 million of debt scheduled to mature in 2008 and 2009, respectively, at weighted average interest rates of 5.69% for 2008 and 4.49% for 2009. As we may not have sufficient cash on hand to repay such indebtedness, we may have to refinance this indebtedness or select other alternatives based on market conditions at that time.

The following summarizes our financing and refinancing transactions since December 31, 2007:

During the first three months of 2008, the Company borrowed \$30.1 million on three existing construction loans.

During February 2008, in conjunction with the purchase of a portfolio of properties, the Company assumed loans of \$34.9 million, which bears interest at a fixed rate of 5.9% and matures on June 11, 2009, and \$5.0 million, which bears interest at a fixed rate of 5.4% and matures on December 1, 2009.

During the first quarter of 2008, the Company closed on a \$41.5 million loan, which bears interest at a fixed rate of 5.3% and matures on March 16, 2011.

During the first quarter of 2008, the Company borrowed and repaid \$14.2 million on an existing credit facility.

During the first quarter of 2008, the Company borrowed \$83.0 million on an existing credit facility. \$41.0 million of this was repaid during the first quarter.

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The following table summarizes our mortgage indebtedness as of March 31, 2008 and December 31, 2007:

(dollars in millions)	March 31, 2008	December 31, 2007	Interest Rate at March 31, 2008	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable — variable-rate						
Bank of America, N.A.	\$ 9.7	\$ 9.8	4.10% (LIBOR +1.40%)	6/29/2012	(1)	(30)
RBS Greenwich Capital	30.0	30.0	4.10% (LIBOR +1.40%)	4/1/2009	(2)	(31)
PNC Bank, National Association	10.1	10.0	4.35% (LIBOR +1.65%)	5/18/2009	(4)	(40)
Bank One, N.A.	2.8	2.8	4.70% (LIBOR +2.00%)	10/5/2008	(5)	(39)
Bank of America, N.A.	15.7	15.8	4.00% (LIBOR +1.30%)	12/1/2011	(7)	(30)
Bank of America, N.A.	—	—	4.05% (LIBOR +1.35%)	12/1/2010	(8)	(32)
Anglo Irish Bank Corporation	9.8	9.8	4.35% (LIBOR +1.65%)	10/30/2010	(11)	(31)
Eurohypo AG	51.2	37.2	4.45% (LIBOR +1.75%)	10/4/2009	(6)	(40)
Bank of America, N.A./ Bank of New York	34.5	34.5	3.45% (LIBOR +0.75%)	3/1/2009	(9)	(31)
Bank of America, N.A.	42.0	—	2.80% (Commercial Paper +.5%)	10/9/2011	(10)	(31)
Interest rate swaps (43)	(34.0)	(34.3)				
Total variable-rate debt	171.8	115.6				
Mortgage notes payable — fixed-rate						
RBS Greenwich Capital	14.7	14.8	5.64%	9/6/2014	(14)	(30)
RBS Greenwich Capital	17.6	17.6	4.98%	9/6/2015	(15)	(33)
RBS Greenwich Capital	12.5	12.5	5.12%	11/6/2015	(16)	(34)
Bear Stearns Commercial	34.6	34.6	5.53%	1/1/2016	(17)	(35)
Bear Stearns Commercial	20.5	20.5	5.44%	3/1/2016	(18)	(31)
LaSalle Bank, N.A.	3.7	3.7	8.50%	4/11/2028	(19)	(30)
GMAC Commercial	8.4	8.5	6.40%	11/1/2032	(20)	(30)
Column Financial, Inc.	9.8	9.8	5.45%	6/11/2013	(21)	(30)
Merrill Lynch Mortgage Lending, Inc.	23.5	23.5	6.06%	8/29/2016	(22)	(36)
Bank of China	19.0	19.0	5.83%	9/1/2008	(23)	(31)
Cortlandt Deposit Corp	2.5	4.9	6.62%	2/1/2009	(24)	(39)
Cortlandt Deposit Corp	2.3	4.9	6.51%	1/15/2009	(25)	(39)
Bank of America N.A.	25.5	25.5	5.80%	10/1/2017	(3)	(31)
Bear Stearns Commercial	26.3	26.3	5.88%	8/1/2017	(12)	(37)
Wachovia	26.0	26.0	5.42%	2/11/2017	(13)	(31)
Bear Stearns Commercial	16.1	—	7.18%	1/1/2020	(29)	(40)
GEMSA Loan Services, L.P.	5.0	—	5.37%	12/1/2009	(26)	(30)
Wachovia	34.8	—	5.86%	6/11/2009	(27)	(30)
GEMSA Loan Services, L.P.	41.5	—	5.30%	3/16/2011	(28)	(31)
Interest rate swaps (43)	34.0	34.3	5.86%	(41)		
Total fixed-rate debt	378.3	286.4				
Total fixed and variable debt	550.1	402.0				
Valuation of debt at date of acquisition, net of amortization (42)	0.9	0.9				
Total	\$ 551.0	\$ 402.9				

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Notes:

- (1) Village Commons Shopping Center
- (2) 161st Street
- (3) 216th Street
- (4) Liberty Avenue
- (5) Granville Center
- (6) Fordham Place
- (7) Branch Shopping Center
- (8) Marketplace of Absecon
Bloomfield Town Square
Hobson West Plaza
Village Apartments
Town Line Plaza
Methuen Shopping Center
Abington Towne Center
- (9) Acadia Strategic Opportunity Fund II, LLC
- (10) Acadia Strategic Opportunity Fund III, LLC
- (11) Tarrytown Center
- (12) Merrillville Plaza
- (13) 239 Greenwich Avenue
- (14) New Loudon Center
- (15) Crescent Plaza
- (16) Pacesetter Park Shopping Center
- (17) Elmwood Park Shopping Center
- (18) Gateway Shopping Center
- (19) Clark-Diversey
- (20) Boonton Shopping Center
- (21) Chestnut Hill
- (22) Walnut Hill
- (23) Sherman Avenue
- (24) Kroger Portfolio
- (25) Safeway Portfolio
- (26) Acadia Suffern
- (27) Acadia Storage Company, LLC
- (28) Acadia Storage Post Portfolio CO, LLC
- (29) Pelham Manor
- (30) Monthly principal and interest.
- (31) Interest only monthly.
- (32) Annual principal and monthly interest.
- (33) Interest only monthly until 9/10; monthly principal and interest thereafter.
- (34) Interest only monthly until 12/08; monthly principal and interest thereafter.
- (35) Interest only monthly until 1/10; monthly principal and interest thereafter.
- (36) Interest only monthly until 10/11; monthly principal and interest thereafter.
- (37) Interest only monthly until 712 monthly principal and interest thereafter.
- (38) Interest only monthly until 11/12 monthly principal and interest thereafter.
- (39) Annual principal and semi-annual interest payments.
- (40) Interest only upon draw down on construction loan.
- (41) Maturing between 1/1/10 and 3/1/12.
- (42) In connection with the assumption of debt in accordance with the requirements so SFAS no. 141, the Company has recorded valuation premium which is being amortized to interest expense over the remaining terms of the underlying mortgage loans.
- (43) Represents the amount of the Company's variable-rate debt that has been fixed through certain cash flow hedge transactions (Note 8).

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CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At March 31, 2008, maturities on our mortgage notes ranged from September 2008 to November 2032. In addition, we have non-cancelable ground leases at seven of our shopping centers. We also lease space for our White Plains corporate office for a term expiring in 2015. The following table summarizes our debt maturities and obligations under non-cancelable operating leases as of March 31, 2008:

(dollars in millions)	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Contractual obligation					
Future debt maturities	\$ 665.1	\$ 23.2	\$ 182.5	\$ 226.6	\$ 232.8
Interest obligations on debt	163.4	24.1	50.5	34.7	54.1
Operating lease obligations	125.8	3.0	10.2	11.2	101.4
Total	\$ 954.3	\$ 50.3	\$ 243.2	\$ 272.5	\$ 388.3

OFF BALANCE SHEET ARRANGEMENTS

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

Reference is made to Note 7 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for a discussion of our unconsolidated investments. Our pro rata share of unconsolidated debt related to these investments is as follows:

(dollars in millions)

Investment	Pro rata share of mortgage debt	Interest rate at March 31, 2008	Maturity date
Crossroads	\$ 31.3	5.37%	December 2014
Brandywine	36.9	5.99%	July 2016
CityPoint	1.7	3.91%	June 2008
Fund I investments	3.2	4.31%	August 2010
Total	\$ 73.1		

In addition, we have arranged for the provision of eight separate letters of credit in connection with certain leases and investments. As of March 31, 2008, there were no outstanding balances under any of these letters of credit. If these letters of credit were fully drawn, the combined maximum amount of exposure would be \$13.9 million.

HISTORICAL CASH FLOW

The following table compares the historical cash flow for the three months ended March 31, 2008 ("2008") with the cash flow for the three months ended March 31, 2007 ("2007")

(dollars in millions)	Three months ended March 31,		
	2008	2007	Change
Net cash (used in) provided by operating activities	\$ (5.3)	\$ 55.5	\$ (60.8)
Net cash used in investing activities	(157.3)	(45.3)	(112.0)
Net cash provided by (used in) financing activities	135.1	(38.1)	173.2
Total	\$ (27.5)	\$ (27.9)	\$ 0.4

A discussion of the significant changes in cash flow for 2008 versus 2007 are as follows:

The variance in net cash provided by operating activities resulted from a decrease of \$22.1 million in operating income before non-cash expenses in 2008, which was primarily due to the decrease of \$23.4 million in distributions (primarily Albertson's) of operating income from unconsolidated affiliates. In addition, a net decrease in cash of \$38.7 million resulted from changes in operating assets and liabilities, primarily other assets, reflecting additional investments in 2008 as well as the repayment of notes from our tax deferred exchange transactions in 2007.

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The increase in net cash used in investing activities resulted from \$87.6 million of additional expenditures for real estate, development and tenant installations in 2008, \$20.8 million of additional return of capital from unconsolidated affiliates (primarily Albertson's) in 2007, and \$5.6 million of additional collections of notes receivable in 2007. These net increases were offset by \$1.4 million of additional notes receivable originated in 2007.

The increase in net cash provided by financing activities resulted from an additional \$136.0 million of borrowings in 2008, an additional \$43.8 million of contributions from partners and members and minority interests in partially-owned affiliates in 2008 and a decrease of \$34.9 million of distributions to partners and members in 2008. These increases were offset by an additional \$18.0 million used for the repayment of debt in 2008, \$15.0 million of additional cash received from the issuance of convertible debt in 2007 and an increase of \$7.6 million of dividends paid to common shareholders in 2008.

INFLATION

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our primary market risk exposure is to changes in interest rates related to our mortgage debt. See the discussion under Item 2 for certain quantitative details related to our mortgage debt.

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of March 31, 2008, we had total mortgage debt and convertible notes payable of \$665.1 million, net of unamortized premium of \$0.9 million, of which \$493.3 million or 74%, was fixed-rate, inclusive of interest rate swaps, and \$171.8 million, or 26%, was variable-rate based upon LIBOR plus certain spreads. As of March 31, 2008, we were a party to four interest rate swap transactions and one interest rate cap transaction to hedge our exposure to changes in interest rates with respect to \$34.3 million and \$30.0 million of LIBOR-based variable-rate debt, respectively.

Of our total consolidated and pro-rata share of unconsolidated outstanding debt, \$23.4 million and \$164.4 million will become due in 2008 and 2009, respectively. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately \$1.9 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable-debt, net of variable to fixed-rate swap agreements currently in effect, as of March 31, 2008 would increase by \$1.7 million annually if LIBOR increased by 100 basis points. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Item 4. Controls and Procedures.

(a) *Evaluation of Disclosure Controls and Procedures.* In accordance with paragraph (b) of Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

(b) *Internal Control over Financial Reporting.* There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings.

There have been no material legal proceedings beyond those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults upon Senior Securities.

None

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

None.

Item 5. Other Information.

None

Item 6. Exhibits.

The information under the heading "Exhibit Index" below is incorporated herein by reference.

SIGNATURES

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

ACADIA REALTY TRUST

May 8, 2008	<u>/s/ Kenneth F. Bernstein</u> Kenneth F. Bernstein President and Chief Executive Officer (Principal Executive Officer)
May 8, 2008	<u>/s/ Michael Nelsen</u> Michael Nelsen Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit Index

Exhibit No.	Description
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (2)
3.3	Amended and Restated By-Laws of the Company (3)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (4)
10.76	Real Estate Purchase and Sale Agreement between Suffern Self Storage, L.L.C., Jersey City Self Storage, L.L.C., Linden Self Storage, L.L.C., Webster Self Storage, L.L.C., Bronx Self Storage, L.L.C., American Storage Properties North LLC, and The Storage Company LLC (collectively, as Seller) and Acadia Storage Post LLC, a Delaware limited liability company, as Buyer, for ten Properties and Storage Facilities located thereon (8)
10.77	Real Estate Purchase and Sale Agreement between American Storage Properties North LLC, as Seller and Acadia Storage Post Metropolitan Avenue LLC, as Buyer for 4805 Metropolitan Avenue, Unit 2, Maspeth, Queens, New York (8)
10.78	First Amendment to Real Estate Purchase and Sale Agreement between Suffern Self Storage, L.L.C., Jersey City Self Storage, L.L.C., Linden Self Storage, L.L.C., Webster Self Storage, L.L.C., Bronx Self Storage, L.L.C., American Storage Properties North LLC, and The Storage Company LLC (collectively, "Seller") and Acadia Storage Post LLC ("Buyer") (8)
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (8)
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (8)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (8)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (8)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (5)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (5)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (6)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (6)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (7)
99.6	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (6)

Notes:

- (1) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal Year ended December 31, 1994
- (2) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998
- (3) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2005.
- (4) Incorporated by reference to the copy thereof filed as an Exhibit to Yale University's Schedule 13D filed on September 25, 2002
- (5) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-3 filed on March 3, 2000
- (6) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2003
- (7) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 1997
- (8) Filed herewith.

REAL ESTATE PURCHASE AND SALE AGREEMENT

BETWEEN

**Suffern Self Storage, L.L.C., Jersey City Self Storage, L.L.C., Linden Self Storage, L.L.C.,
Webster Self Storage, L.L.C., Bronx Self Storage, L.L.C., American Storage Properties
North LLC, and The Storage Company LLC (collectively, as SELLER)**

AND

Acadia Storage Post LLC, a Delaware limited liability company, as BUYER

FOR

**The Property and the Storage Facilities located thereon as more fully described on
Schedule 1 attached hereto and made a part hereof.**

REAL ESTATE PURCHASE AND SALE AGREEMENT

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- Exhibit A-2 - New Jersey Form of Deed
- Exhibit B - Assignment and Assumption of Leases
- Exhibit C - List of Environmental Reports
- Exhibit D - Exceptions to Representations and Warranties
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- Exhibit F - Rents in Arrears; Free Rent; Rent/Fees Paid more than one month in advance
- Exhibit G - Bill of Sale
- Exhibit H - Seller's Certificate
- Exhibit I - Buyer's Certificate
- Exhibit J - [Intentionally Deleted]
- Exhibit K - Assignment and Assumption of Service Contracts and Other Obligations
- Exhibit L - [Intentionally Deleted]
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Schedules

- Schedule 1 — list of Storage Facilities being conveyed
- Schedule 2 — list of trucks owned
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REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT (“Agreement”) is made and entered into as of the Effective Date (as defined below) between Suffern Self Storage, L.L.C., a Delaware limited liability company, Jersey City Self Storage, L.L.C., a Delaware limited liability company, Linden Self Storage, L.L.C., a New Jersey limited liability company, Webster Self Storage, L.L.C., a Delaware limited liability company, Bronx Self Storage, L.L.C., a Delaware limited liability company, American Storage Properties North LLC, a Delaware limited liability company, and The Storage Company LLC, a Delaware limited liability company (collectively, referred to as “Seller”), and Acadia Storage Post LLC, a Delaware limited liability company (hereinafter referred to as “Buyer”).

RECITALS

A. Seller is the owner of the Property (as hereinafter defined), which includes, among other things, ten (10) storage facilities located thereon in the States of New York and New Jersey, as listed on Schedule 1 attached hereto and made a part hereof (each a “Storage Facility and collectively, the “Storage Facilities”).

B. Seller desires to sell the Property to Buyer and Buyer desires to purchase the Property from Seller.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be legally bound hereby, agree as follows:

ARTICLE 1

PURCHASE AND SALE

1.1 Subject to the terms and conditions contained herein, Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, the Property.

ARTICLE 2

BASIC TERMS

2.1 As used herein, the following Basic Terms are hereby defined as follows:

Buyer’s Address for Notice

Robert Masters, Esq.
c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Telephone: 914.288.8139
Facsimile: 914.428.3646

With a copy to:

Mr. Marc Slayton
c/o Post Management, LLC
204 West 84th Street, 2nd Floor
New York, New York 10024
Telephone: 212.799.8800
Facsimile: 212.799.8801

**Buyer's Taxpayer Identification
Number**

Closing Date

On or before February 1, 2008; provided, however, that if Buyer is not in default under this Agreement, it shall have the right to a thirty (30) day extension of the Closing Date by providing written notice to the Seller of such requested extension along with a payment in the amount of \$500,000 on the date said extension is requested in immediately available funds (the "Non-Refundable Extension Payment") which shall become non-refundable to Buyer from and after the date such payment is received by Seller except as expressly set forth in the following sentences. Seller shall not have any obligation to return or refund the Non-Refundable Extension Payment to Buyer for any reason. If Closing occurs, the Non-Refundable Extension Payment will be added to the Purchase Price, increasing the final Purchase Price to \$160,500,000, with the additional \$500,000 towards the Purchase Price being allocated prorata among the properties in the same proportion as the allocations set forth in Schedule 3. For purposes of clarity, Seller shall have no obligation to return the Non-Refundable Extension Payment to Buyer if Buyer terminates the Agreement prior to Closing or if Buyer defaults under the Agreement. In the event of a default by Seller, if Buyer elects to terminate this Agreement and receive

reimbursement of the Earnest Money pursuant to the terms of Section 13.2 hereof, Buyer shall also receive reimbursement of the Non-Refundable Extension Payment.

Notwithstanding anything to the contrary contained in this Agreement (i) any termination rights of Buyer or Seller shall only be exercised with regard to this entire Agreement and all of the Property, such that neither Buyer nor Seller shall have the right to terminate this Agreement as to less than all of the Storage Facilities and properties comprising the Property except as otherwise specifically permitted in this Agreement, (ii) an extension of the Closing Date as it relates to any portion of the Property pursuant to the terms of this Agreement shall extend the Closing Date as to the entire Property being conveyed hereby, such that the Closing on Buyer's acquisition of all of the Storage Facilities comprising the Property shall be simultaneous, and (iii) in no event shall Seller convey, and Buyer accept, title to less than all of the Property except as otherwise specifically permitted in this Agreement.

Earnest Money

\$10,000,000 non-refundable deposit in cash (Buyer may substitute an unconditional, irrevocable standby letter of credit issued to Sellers maturing no earlier than 120 days after the Closing Date and in form reasonably acceptable to Seller).

Effective Date

November 30, 2007

Escrowholder

Fidelity National Title Insurance Company, National
Title Services
(subject to the provisions of Section 4.1 hereof)
Located at: 1330 Post Oak Blvd., Suite 2330
Houston, Texas 77056
Attn: Lolly Avant

Involved Seller Representative(s)
**(re: Representations, Warranties,
and Covenants by Seller)**

Robin Smith, an employee of Northwestern Investment Management Company, LLC, a wholly-owned affiliate of The Northwestern Mutual Life Insurance Company and Andrew J. Czekaj, Manager of American Storage Properties North Investors LLC

Long Term Service Contracts

(i) all Contracts with Yellow Pages for advertisements, (ii) software support contracts and (iii) those certain contracts with AFA-Fire Alarm, ADT Security and ATNM Refuse Removal for the Storage Facilities owned by The Storage Company LLC, which Long Term Service Contracts shall be assumed by Buyer at Closing

**Materiality Limit (re: Casualty and
Condemnation)**

20% for each Storage Facility's allocated value

Property

Seller's interest in the land described in Schedule 1 to Exhibit A attached hereto, which includes the Storage Facilities together with all rights, outlots, privileges, easements, and rights of way appurtenant to the land (i) access to a public way, (ii) right, title and interest in and to any land lying in the bed of any street, road or avenue opened or proposed, appurtenant to, abutting or adjoining the Land, to the center line thereof, (iii) right, title and interest in and to any award made or to be made in lieu thereof, and in and to any unpaid award for damage to the Land by reason of change of any grade of any street and (iv) any land use entitlements, including any certificates of occupancy, special exceptions, variances or site plan approvals or other authorizations issued or granted by any governmental authority (hereinafter referred to as the "Land"), together with the following: (a) all buildings, improvements, and structures located on the Land (hereinafter referred to as the "Improvements" and, together with the Land, the "Real Property"); (b) all personal property owned by Seller which is used in the operation of the Real Property and located

thereon, including all fixtures, appliances, furniture, furnishings, equipment, supplies, lighting systems, but excluding all software, computers and computer-related equipment in the property management office located on the Property and any inventory of items sold by Seller to tenants or other customers which is remaining at the Storage Facilities at the time of Closing, with no requirement for Seller to have any remaining inventory at the time of Closing (hereinafter referred to as the "Personal Property"); (c) all of Seller's interest in any and all Tenant Leases (as defined below), including those agreements entered into after the Effective Date, Seller's interest in any and all Records Management Contracts (as defined below), and any and all Service Contracts (as defined below), affecting the Real Property to which Seller is a party and which (i) Seller chooses to assign and (ii) Buyer chooses to have assigned to it and to assume pursuant to the provisions of Subsection 6.4.1 hereof provided, however, that the Long Term Service Contracts shall be assumed by Buyer at Closing (d) those certain trucks owned by Seller as set forth on Schedule 2 (but excluding that certain 2001 Ford van registered to East Coast Storage LLC having a vehicle identification number of 1FDWE34L31HA91053). (e) all tangible and intangible personal property used in connection with the records management business at 30-28 Starr Avenue, Long Island City, New York, owned by The Storage Company LLC, and all of Seller's rights in the Records Management Contracts (defined below), and such other rights, interests, and properties as may be specified in this Agreement to be sold, transferred, assigned, or conveyed by Seller to Buyer and (f) all leases for cell towers and billboards at the Property. Notwithstanding the foregoing, specifically excluded from the Property is any property containing the name "Storage Post" and any proprietary name or logo used by Seller and

any property owned by tenants at each Storage Facility. All of the following, if any, in the possession or control of Seller: warranties, guarantees (collectively the “Executory Contracts”), as-built plans and specifications for the Improvements, existing surveys, copies of any records and files (other than budgets, appraisals, projections and audits) pertaining to the ownership and operation of the Property (as defined below), to the extent assignable (collectively, the “Intangible Property”). Seller hereby agrees to execute any documents additional to those provided for in this Agreement necessary to convey the Intangible Property to Buyer, provided that such documents do not impose any additional liability or expense upon Seller in excess of that provided for in this Agreement.

Purchase Price

\$160,000,000 to be allocated in accordance with Schedule 3 attached hereto and made a part hereof

Records Management Contracts

All contracts for records management at the Storage Facility located at 30-28 Star Avenue, Long Island City, New York owned by The Storage Company LLC

Seller’s Address for Notice

The Northwestern Mutual Life
Insurance Company
720 East Wisconsin Avenue
Milwaukee, WI 53202
Attn: Nicholas DeFino,
Director — Asset Management
Telephone: 414-665-7315
Fax: 414-625-7315
E-Mail: nickdefino@northwesternmutual.com

with copies to:

The Northwestern Mutual Life
Insurance Company
8444 Westpark Drive, Suite 600
McLean, Virginia 22102
Attn: Robin Smith,
Director — Field Asset Management
Telephone: 703-269-6600

Fax: 703-288-9181
E-Mail:
robingsmith@northwesternmutual.com

and

With copies to:

Stephen J. Garchik
American Storage Properties North Investors, LLC
9001 Congressional Court
Potomac, Maryland 20854
Telephone: 301-299-8616
Fax: 301-365-9154
Email: Garchik@aol.com

And

Andrew J. Czekaj
American Storage Properties North Investors, LLC
560 Herndon Parkway, Suite 210
Herndon, Virginia 20170
Telephone: 703-925-5215
Fax: 703-709-0638
e-mail: Andrew.czekaj@cambridgeus.com

and

Kathleen M. Weinstein, Esq.
Snider & Weinstein PLLC
900 17th Street, N.W., Suite 410
Washington, D.C. 20006
Telephone: 202-293-9400
Fax: 202-293-9401
e-mail: kathleen.weinstein@sniderweinstein.com

Seller's Brokers

CB Richard Ellis, Inc.
Steve Hrysko
200 Public Square, Suite 2560
Cleveland, OH 44114
Telephone: 216-363-6475

Transwestern Commercial Services
Attn: Gerald Trainor

1667 K Street, N.W., Suite 300
Washington, D.C. 20006
Telephone: 202-775-7091

Service Contracts

Any and all contracts and service agreements, other than Long Term Service Contracts, affecting the Property to which Seller is a party and which Buyer chooses to assume pursuant to this Agreement.

Tenant Leases

All leases of self-storage space in the Improvements.

Title Insurer

New York Land Services, a Division of LandAmerica
630 Third Avenue, 5th Floor
New York, New York 10017
Attention:
Telephone: 212.490.2277
Facsimile:

ARTICLE 3

REPRESENTATIONS, WARRANTIES, AND COVENANTS

3.1 Representations, Warranties, and Covenants by Seller. Subject to the limitations set forth in Sections 3.2 and 15.1 hereof, Seller hereby represents and warrants to Buyer that:

- (a) Seller has the full legal power, authority, and right to execute, deliver, and perform its obligations under this Agreement, and Seller's performance hereunder has been duly authorized by all requisite action on the part of Seller, and no remaining corporate action is required to make this Agreement binding on Seller. Seller has duly executed this Agreement and it is binding on and enforceable against Seller.
- (b) There are no employees of Seller working at the Property.
- (c) None of the entities comprising Seller, any person or entity owning (directly or indirectly) a ten percent (10%) or greater ownership interest in any of the entities comprising Seller, nor any guarantor and/or indemnitor of the obligations of Seller hereunder: (i) is now or shall become, a person or entity with whom Buyer is restricted from doing business with under regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including, but not

limited to, those names on OFAC's Specially Designated Nationals and Blocked Person list) or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action: (ii) is now or shall become, a person or entity with whom Buyer is restricted from doing business with under the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, or the regulations or orders thereunder: and (iii) is not knowingly engaged in, and shall not engage in, any dealings or transaction, or be otherwise associated with such persons or entities described in (i) and (ii) above.

- (d) To Seller's Actual Knowledge, the rent rolls attached hereto and incorporated herein as Schedule 2 to Exhibit B are true, correct, and complete as of the date specified thereon (to be updated as of the Closing Date), such list containing the identification of each space in the Property and, for each such space, the name of the tenant, the date of the Tenant Lease, the monthly rental and the security deposit.
- (e) Seller has not been served in any litigation, arbitration, or other judicial, administrative, or other similar proceedings involving or related to the Property which is currently pending and which would have a material impact on Buyer's ownership or operation of the Property.
- (f) To Seller's Actual Knowledge, the list of Service Contracts attached hereto as Schedule 2 to Exhibit K is true, correct, and complete as of the date specified thereon (to be updated as of the Closing Date).
- (g) Seller has received no written governmental notice of any actual condemnation of the Property or any part thereof nor to Seller's Actual Knowledge has Seller received any written governmental notice of any threatened condemnation of the Property or any part thereof.
- (h) Based upon the Seller's title insurance policies for the Property, Seller owns good and marketable title to the Property, free and clear of all liens and encumbrances except for the Permitted Exceptions and the existing mortgages.
- (i) True, correct and complete copies of the form lease used at each Storage Facility have been delivered by Seller to Buyer. Other than Tenant Leases which inadvertently are not included on the rent rolls but are in full force and effect, or Tenant Leases which are no longer effective, but are inadvertently included on the rent rolls, the Tenant Leases listed on the rent rolls constitute the only leases, licenses, guaranties or other agreements for the use or occupancy of the Property other than the Records Management Contracts. To Seller's Actual Knowledge, other than the Tenant Leases listed on the rent rolls and the Records Management Contracts, there are no other leases, licenses, concessions or other written or oral agreements for the use or occupancy of the Property.

(j) To Seller's Actual Knowledge, all rents (base, additional and percentage) are being paid and are current, except as otherwise set forth in Exhibit F.

(k) Except as set forth in Exhibit F, to Seller's Actual Knowledge, no tenant has paid any rent, fees, or other charges for more than one month in advance which would result in any tenant's ability to credit such advance payment against any payment due by tenant after the Closing Date, nor is any tenant entitled to any free rent, abatement of rent or similar concession.

(l) Except as otherwise set forth in Exhibit D there are no actions or proceedings pending or to Seller's Actual Knowledge threatened by any tenant under any Tenant Lease.

(m) Except as otherwise set forth in Exhibit D, there are no notices, claims, actions or proceedings (zoning or otherwise), including, without limitation, governmental investigations, pending, or relating to, the Property or against Seller or any of its affiliates or agents, or the transactions contemplated by this Agreement.

(n) There are no special or other governmental, quasi-governmental, public or private assessments for public improvements or otherwise now affecting the Property (other than those special assessments or typical municipal maintenance and operation of such items as sewer, water, drainage and the like which appear annually as a part of the real estate tax bill affecting the Property) and (b) to Seller's Actual Knowledge, there are no contemplated improvements affecting the Property that may result in special assessments affecting the Property; without limiting the generality of the foregoing, the Property is not subject to any lien of any homeowners, landowners or other association having a common purpose.

(o) All of the Personal Property is owned by the Seller free and clear of any liens or encumbrances except for liens securing the Existing Loans (as hereinafter defined) and all other exceptions and encumbrances which are required by this Agreement to be removed at or prior to the Closing shall be removed.

(p) To Seller's Actual Knowledge, and to the actual knowledge of Frederick W. Bessette, Esq., Assistant General Counsel for The Northwestern Mutual Life Insurance Company, Seller has not received any written notice of a violation of any Hazardous Substance Laws. For purposes of this Agreement, the term:

(i) "Hazardous Substance Laws" means any local, state or federal law or regulation relating to the use or disposition of Hazardous Material, including, without limitation, the Clean Air Act, the Federal Water Pollution Control Act, the Resource Conservation and Recovery Act, the Toxic Substance Control Act, the Safe Drinking Water Control Act, the Federal Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, and the Occupational Safety and Health Act, as the same may be amended from time to time.

(q) Except for this Agreement and the Tenant Leases, the Records Management Contracts and Service Contracts, there are no outstanding agreements, options, rights of first

refusal, rights of first offer, conditional sales agreements or other agreements or arrangements, whether oral or written, regarding the purchase and sale of the Property, the lease or occupancy of any part of the Land or Improvements, or which otherwise affect any portion of or all the Property.

(r) The execution, delivery and performance of this Agreement by Seller shall not require the consent of any third-party, except the Lenders (as hereinafter defined).

(s) Seller has not received any notice from the insurance company insuring the Property to correct any deficiencies in the physical condition of the Property.

Buyer hereby acknowledges that (i) Seller makes no representations or warranties concerning any patents, trademarks, copyrights, or other intellectual property rights and (ii) "Seller's Actual Knowledge," upon which all of the representations and warranties set forth in this Article are based, means only the current actual knowledge of the Involved Seller Representative(s), without conducting any investigations, or inquiry or review of files in Seller's possession or control in connection with this transaction or the making of the representations contained in this Article. There are no employees of Seller or Northwestern Investment Management Company, LLC, who have information regarding the representations and warranties set forth in this Section which would be superior to that of the Involved Seller Representative(s). Seller shall promptly notify Buyer of any event or circumstance which makes any representation or warranty by Seller in this Agreement untrue. At Closing, as defined in Section 7.7 hereof, Seller shall deliver to Buyer a Seller's Certificate in the form of Exhibit H attached hereto.

3.2 No Other Representations and Warranties by Seller. Except as set forth in Section 3.1 hereof and the representations expressly set forth in any documents executed by Seller and to be delivered to Buyer at Closing, Seller makes no other, and specifically negates and disclaims any other representations, warranties, promises, covenants, agreements, or guarantees of any kind or character whatsoever, whether express or implied, oral, or written, past, present, or future, with respect to the Property, including, without limitation: (i) the ownership, management, and operation of the Property; (ii) title to the Property; (iii) the physical condition, nature, or quality of the Property, including, without limitation, the quality of the soils on and under the Real Property, and the quality of the labor and materials included in the Improvements, fixtures, equipment, or Personal Property comprising a portion of the Property; (iv) the fitness of the Property for any particular purpose; (v) the presence or suspected presence of Hazardous Material on, in, under, or about the Property (including, without limitation, the soils and groundwater on and under the Real Property); (vi) the compliance of the Real Property with applicable governmental laws or regulations, including, without limitation, the Americans with Disabilities Act of 1990, environmental laws and laws or regulations dealing with zoning or land use; or (vii) the past or future operating results and value of the Property (which matters described in clauses (i)-(vii) above are hereinafter collectively referred to as "Condition and Quality of the Property"). Except as is expressly set forth in this Agreement to the contrary, Buyer acknowledges that it is not relying upon any representation of any kind or nature made by Sellers or Broker or any of Seller's respective direct or indirect members, partners, officers, directors, employees or agents (collectively, the "Seller Related Parties") with respect to the

Property, and that, in fact, no such representations were made except as expressly set forth in this Agreement.

3.3 Representations, Warranties, and Covenants by Buyer. Buyer hereby represents and warrants to Seller that:

- (a) Buyer has the full legal power, authority, and right to execute, deliver, and perform its legal obligations under this Agreement, and Buyer's performance hereunder has been duly authorized by all requisite action on the part of Buyer, and no remaining action is required to make this Agreement binding on Buyer. Buyer has duly executed this Agreement and it is binding on and enforceable against Buyer.
- (b) Buyer shall deliver to Seller, pursuant to the provisions of Subsection 6.3.1 hereof, any and all environmental reports on or concerning the Property that will be prepared by Buyer or on Buyer's behalf.
- (c) All documents and information relating to the Property which are disclosed to or obtained by Buyer during the term of this Agreement ("Property Information") shall be held by Buyer in strict confidence. Buyer shall not disclose Property Information to any third party except (a) to Buyer's partners, directors, officers and employees, investors and/or to its lenders, advisors, outside counsel, accountants and employees ("Buyer Parties"), and if so disclosed, then only to the extent necessary to facilitate Buyer's evaluation of the condition of the Property or its financing of the same on a "need-to-know" basis; (b) a required disclosure to any governmental, administrative, or regulatory authority having or asserting jurisdiction over either Buyer, Seller, or the Property; or (c) to any person entitled to receive such information pursuant to a subpoena or other legal process. Notwithstanding the foregoing, Property Information shall not include the following: (i) information which has been or becomes generally available to the public other than as a result of a disclosure by Seller; or (ii) information which was available to Buyer on a non-confidential basis prior to its disclosure to Buyer by Seller. Buyer shall inform all Buyer Parties to whom it has disclosed Property Information of the confidential nature of the same, and Buyer shall be responsible in the event that such Buyer Parties fail to treat such Property Information confidentially.
- (d) Buyer has the financial capacity to perform its obligations under this Agreement.
- (e) Neither Buyer, any person or entity owning (directly or indirectly) a ten percent (10%) or greater ownership interest in Buyer, nor any guarantor and/or indemnitor of the obligations of Buyer hereunder: (i) is now or shall become, a person or entity with whom Seller is restricted from doing

business with under regulations of the Office of Foreign Assets Control (“OFAC”) of the Department of the Treasury (including, but not limited to, those named on OFAC’s Specially Designated Nationals and Blocked Persons list) or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action; (ii) is now or shall become, a person or entity with whom Seller is restricted from doing business with under the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, or the regulations or orders thereunder; and (iii) is not knowingly engaged in, and shall not engage in, any dealings or transaction, or be otherwise associated with such persons or entities described in (i) and (ii) above.

Buyer shall promptly notify Seller of any event or circumstance which makes any representation or warranty by Buyer under this Agreement untrue. At Closing, Buyer shall deliver to Seller a Buyer’s Certificate in the form of Exhibit I attached hereto. The provisions of Subsections 3.3(b) and (c) shall survive the termination of this Agreement indefinitely.

3.4 Buyer’s Reliance on Own Investigation; “AS-IS” Sale.

- (a) Buyer agrees and acknowledges that, as of the Closing Date, Buyer shall have made such feasibility studies, investigations, title searches, environmental studies, engineering studies, inquiries of governmental officials, and all other inquiries and investigations as Buyer shall deem necessary to satisfy itself as to the Condition and Quality of the Property.
- (b) Except as represented and warranted by Seller pursuant to the terms and provisions of Section 3.1 hereof, or in any document required to be executed by Seller and delivered to Buyer at Closing, Buyer acknowledges and agrees that, at Closing, Buyer shall buy the Property in its then condition, “AS IS, WHERE IS,” with all faults and solely in reliance on Buyer’s own investigation, examination, inspection, analysis, and evaluation. Buyer is not relying on any statement or information made or given, directly or indirectly, orally or in writing, express or implied, by Seller, its agents or broker as to any aspect of the Property, including without limitation, the Condition and Quality of the Property (as defined in Section 3.2 hereof), but rather, is and will be relying on independent evaluations by its own personnel or consultants to make a determination as to the physical and economic nature, condition, and prospects of the Property.
- (c) The agreements and acknowledgments contained in this Section 3.4 constitute a conclusive admission that Buyer, as a sophisticated, knowledgeable investor in real property, shall acquire the Property solely upon its own judgment as to any matter germane to the Property or to

Buyer's contemplated use or investment in the Property, and not upon any statement, representation or warranty by Seller or any agent or representative of Seller (including Seller's Broker), which is not expressly set forth in this Agreement.

- (d) Notwithstanding anything in this Agreement to the contrary, as a sophisticated and knowledgeable investor in real property, Buyer is aware that mold, water damage, fungi, bacteria, indoor air pollutants or other biological growth or growth factors (collectively called "Indoor Air Pollutants") may exist at the Property and that such Indoor Air Pollutants may be undiscoverable during routine or invasive inspections, ownership, or operations of the Property. In evaluating its purchase of the Property and determining the Purchase Price, Buyer has taken (or shall take) these matters into account, and Buyer shall assume, at Closing, the risk of all Indoor Air Pollutants, including, without limitation, those resulting from patent or latent construction defects.

The provisions of this Section 3.4 shall survive Closing.

ARTICLE 4

THE TRANSACTION

4.1 Escrow. In order to effectuate the conveyance contemplated by this Agreement, the parties hereto agree to open an escrow account with Escrowholder. A copy of this Agreement shall be delivered to, and receipt thereof shall be acknowledged by, Escrowholder upon full execution hereof by Seller and Buyer.

4.2 Purchase Price. Subject to the provisions hereof, Buyer agrees to pay the Purchase Price for the Property to Seller as follows:

4.2.1 Earnest Money. No later than 4:00 PM Eastern Standard Time on Friday, November 30, 2007, Buyer shall deposit with Escrowholder the Earnest Money in cash or other immediately payable funds, or, at Buyer's election, an unconditional, irrevocable standby letter of credit issued to Seller with an expiration date no earlier than 120 days after the Effective Date. If Buyer fails to timely deposit the Earnest Money with Escrowholder this Agreement shall become null and void.

4.2.2 Retention and Disbursement of Earnest Money. If the transaction contemplated by this Agreement closes in accordance with the terms and conditions of this Agreement, then at Closing the Earnest Money and all interest earned thereon shall be applied against the Purchase Price. In the event of a default by Buyer, the Earnest Money shall be delivered to Seller pursuant to the terms herein and all interest earned thereon shall be paid to Seller. The Earnest Money, if in the form of cash, shall be held in an interest-bearing account at a federally-insured bank in the name of Buyer. Escrowholder shall not disburse any of the

Earnest Money except in accordance with (a) this Agreement; (b) written instructions executed by both Buyer and Seller; or (c) as follows:

If Buyer or Seller, by notice to Escrowholder, makes demand upon Escrowholder for the Earnest Money (the “Demanding Party”), Escrowholder shall, at the expense of the Demanding Party, give notice of such demand (the “Notice of Demand”) to the other party (the “Other Party”). If Escrowholder does not receive notice from the Other Party contesting such disbursement of the Earnest Money within five (5) business days from the date on which the Notice of Demand was given, Escrowholder shall disburse the Earnest Money to the Demanding Party. If Escrowholder does receive notice from the Other Party contesting such disbursement of the Earnest Money within five (5) business days from the date on which the Notice of Demand was given, then Escrowholder shall thereafter disburse the Earnest Money only in accordance with written instructions executed by both Buyer and Seller, or if none, then in accordance with a final, non-appealable court order.

If Buyer deposits a letter of credit in lieu of cash, Escrowholder shall return same to Buyer upon receipt of the Purchase Price with a letter addressed to the issuing bank that the letter of credit is being returned for cancellation.

Seller and Buyer shall indemnify and hold Escrowholder harmless from all costs and expenses incurred by Escrowholder, including reasonable attorneys’ fees, by reason of Escrowholder being a party to this Agreement, except for any costs and expenses (a) incurred by Escrowholder as a result of any failure by Escrowholder to perform its obligations under this Agreement or (b) arising out of the negligence or misconduct of Escrowholder. In the event of any disagreement between Seller and Buyer resulting in adverse claims or demands being made in connection with the Earnest Money, Escrowholder, upon written notice to Seller and Buyer, may commence an interpleader action and deposit the Earnest Money with a court of competent jurisdiction.

4.2.3 Loan Assumptions. Buyer may assume the following loans (the “Existing Loans”): (i) that certain loan in the original principal amount of \$37,500,000 from UBS Real Estate Investment, Inc. (the “Storage Company Lender”) secured by the property owned by The Storage Company LLC (the “Storage Company Loan”) and (ii) that certain loan in the original principal amount of \$6,000,000 from General Electric Capital Corporation (the “Suffern Lender”, the Suffern Lender and Storage Company Lender are collectively referred to herein as the “Lenders”) secured by the property owned by Suffern Self Storage, L.L.C. (the “Suffern Loan”). Buyer shall receive a credit towards the Purchase Price equal to the outstanding principal balance of the Storage Company Loan and the Suffern Loan on the Closing Date.

Buyer may, subject to the terms and conditions of this Agreement and further subject to prior approval of the Storage Company Lender and the Suffern Lender, assume the Existing Loans and all documents relating thereto, on the same terms and conditions as set forth in the loan documents evidencing the Existing Loans (the “Loan Documents”) except that the guarantors and/or indemnitors under the Existing Loans (collectively, the “Guarantors”) shall be fully and completely released from the Loan Documents except for liability with respect to those matters which first arose and pertain to the period of time during which The Storage Company LLC owned the property which is security for the Storage Company Loan and Suffern Self

Storage, L.L.C. owned the property which is security for the Suffern Loan (the "Loan Assumptions"). If Buyer is approved for the Loan Assumptions, then, at Closing, Buyer shall execute and deliver to the Escrow Agent, the Lender and Seller such documents as are necessary for Buyer to consummate Buyer's assumption of the Existing Loans.

Seller shall cooperate, at no expense to Seller, with all reasonable requests of Buyer in connection with the assumption of the Existing Loans, to the extent that no additional liability or obligations are incurred by Seller as a result of such cooperation.

Buyer shall advise Seller at least twenty (20) business days prior to Closing whether Buyer has elected to assume the Existing Loans, but in the event Buyer for any reason elects not to assume the Existing Loans, Buyer shall be required to proceed to Closing hereunder with an all cash Purchase Price and Buyer shall either pay directly to Lender or reimburse Seller for all costs incurred in connection with the defeasance of the Existing Loans at the time of Closing and pay all costs and expenses relating to said defeasance of the Existing Loans. Buyer shall pay any and all fees, expenses and other costs incurred by Buyer or charged or incurred by the Lenders in connection with Buyer's obtaining or seeking to obtain Lender's consent to the Loan Assumptions and in connection with Buyer's application and assumption of the Existing Loans, including, without limitation, the application fee, any transfers fees, prepayment fees, any application fees, review fees, processing fees, and the Lender's costs and expenses, including its legal fees and expenses, (collectively, the "Loan Fees").

Interest on the Existing Loans shall be prorated between Seller and Buyer as of the Closing Date, based on the actual number of days in the month during which the Closing Date occurs. All escrowed funds held by Lender for the benefit of Seller shall be released to Seller at Closing.

4.2.4 Cash at Closing. Buyer shall pay to Seller, by depositing with Escrowholder, in cash or other immediately payable funds, the Purchase Price less the cash portion of the Earnest Money (plus the accrued interest thereon) held by Escrowholder, less the outstanding principal amounts of the Existing Loans in the event the Buyer assumes the Existing Loans, plus costs to be paid by Buyer pursuant to Section 7.4 hereof, and plus or minus prorations and adjustments shown on the closing statements executed by Buyer and Seller.

4.3 Conveyance by Deed. Subject to the provisions hereof, on the Closing Date Seller shall convey the Property to Buyer by a special warranty deed or bargain and sale deed for each portion of the Property on which the various Storage Facilities are located, so that all of the Property shall be conveyed by the form of deed applicable in the jurisdiction of the Property being conveyed (the "Deeds") in the forms of Exhibit A-1 and Exhibit A-2 attached hereto, subject to those matters set forth therein. If necessary, the form of Deeds shall be modified so as to be recordable in the jurisdiction where the Property is located.

ARTICLE 5

TITLE AND SURVEY

5.1 Title Commitment. Buyer shall, as soon as reasonably possible after the Effective Date, cause Title Insurer to deliver, a title commitment (the "Commitment") with respect to the Property, together with a legible copy of each instrument that is listed as an exception in the Commitment, with the cost thereof to be paid in accordance with Section 7.4 hereof. All matters affecting title to the Property set forth on the Seller's existing title policy previously provided to the Buyer and as set forth in the Buyer's Commitment shall be deemed approved by Buyer and shall be deemed to be "Permitted Exceptions."

At Closing, Seller shall provide Title Insurer with an Title/Owner's Affidavit and GAP Indemnity in a form mutually acceptable to Seller and Title Insurer. Under no circumstances shall Seller be obligated to give Title Insurer any certificate, affidavit, or other undertaking of any sort which would have the effect of increasing the potential liability of Seller over that which it would have by giving Buyer the Deeds required hereunder.

5.3 Subsequent Matters Affecting Title and Survey. If Buyer's survey or the title insurance policy which would otherwise be delivered to Buyer at Closing, reflects as exceptions, any items other than Permitted Exceptions, such items shall, if and only if Buyer shall give written notice thereof to Seller no later than the Closing Date, be deemed "Objectionable Items," and if Buyer shall so give notice to Seller, then:

- (a) The Closing shall be postponed to the first business day which is thirty (30) days after the Closing Date, or such earlier date as may be mutually agreed to between Buyer and Seller; and
- (b) Seller shall notify Buyer within five (5) days after Seller's receipt of Buyer's notice of Objectionable Items, as to which Objectionable Items Seller is unwilling or unable to cure, in which event Buyer may elect to terminate this Agreement in accordance with Article 14 or proceed to Closing without a reduction in the Purchase Price.
- (c) Notwithstanding (b) above, (i) Seller shall be obligated to remove only those Objectionable Items which were voluntarily caused or permitted by Seller; (ii) Seller shall obtain a satisfaction and release of any monetary liens, including, without limitation, any and all mortgages, mechanics liens and judgment liens which are Objectionable Items; and (iii) Seller shall be obligated to spend up to \$50,000 for each Storage Facility to cure any other Objectionable Items not set forth in the preceding subsections (i) or (ii).

ARTICLE 6

CONDITION OF THE PROPERTY

6.1 Inspections.

6.1.1 Inspection of Property. BUYER HAS BEEN EXPRESSLY ADVISED BY SELLER TO CONDUCT AN INDEPENDENT INVESTIGATION AND INSPECTION OF THE PROPERTY (subject to the provisions hereof), UTILIZING EXPERTS AS BUYER DEEMS NECESSARY. Subject to the provisions of Section 6.3.1 hereof, prior to the Effective Date, Buyer had the right to conduct at its own expense, an inspection of the Property and after the Effective Date, Buyer shall perform no further inspections of the Property unless written consent of Seller is obtained or unless said inspection is requested by Buyer's Lender (as hereinafter defined) pursuant to Section 6.3.1. Buyer hereby confirms that it has approved all aspects of the Property, including title, survey and environmental condition.

6.2 Entry onto Property. Notwithstanding anything contained herein to the contrary, Buyer, its contractors and/or agents, may only enter onto the Property during the term of this Agreement provided Buyer has obtained the prior authorization of Seller, which includes authorization from Marc Slayton (except as it relates to Seller's consent required by Section 6.3.1, which requires consent of all members of American Storage Properties North LLC), and then only in the company of Seller or its agents, which includes Marc Slayton. Seller shall respond to Buyer's requests for authorization to enter onto the Property within a reasonable period of time, and shall cooperate with Buyer in good faith to make arrangements for Seller or its agents to so accompany Buyer, its contractors and/or agents. Buyer's inspection rights shall be subject to the rights of the tenant(s), including without limitation, rights of quiet enjoyment, and Buyer agrees that it will not unreasonably interfere with any tenant or contractor on the Property or Seller's operation of the Property.

Prior to Buyer entering onto the Property, Buyer and/or its agents or contractors shall obtain and keep in full force and effect, insurance as set forth, with Seller listed as certificate holder and naming Seller and its wholly-owned affiliates, subsidiaries, and agents as additional insureds on the Commercial General Liability and Business Automobile insurance policies, and shall provide Seller with certificates of insurance satisfactory to Seller evidencing such insurance.

Type	Limits
Worker's Compensation/Employer's Liability	Statutory/\$500,000
Commercial General Liability	\$1,000,000/occurrence \$2,000,000/aggregate
Business Automobile Liability	\$1,000,000 Combined Single Limit

In addition, if Buyer chooses to conduct any invasive environmental investigation of the Property, Buyer must first receive Seller's written consent, such consent to be in the form of an Invasive Access Agreement entered into between Buyer and Seller and, prior to any invasive testing occurring, Buyer must furnish to Seller, at Buyer's expense, a certificate of insurance satisfactory to Seller with Seller listed as a certificate holder and naming Seller and its wholly-owned affiliates, subsidiaries, and agents as additional insureds, evidencing that Buyer,

and/or its agents or contractors, have the following insurance in full force and effect meeting the requirements set forth below:

<u>Type</u>	<u>Limits</u>
Professional Liability (including Pollution Coverage)	\$1,000,000/occurrence \$1,000,000/aggregate
Contractor's Pollution Liability	\$3,000,000/occurrence \$3,000,000/aggregate

The aforesaid coverages shall be maintained throughout the term of this Agreement. Furthermore, any coverage written on a "Claims-Made" basis shall be kept in force, either by renewal or the purchase of an extended reporting period, for a minimum period of one (1) year following the Closing or other termination of this Agreement. Such insurance shall be issued by an insurer with an A.M. Best financial strength and size rating of "A-/XV" or better. Nothing herein contained shall in any way limit Buyer's liability under this Agreement or otherwise.

Buyer shall observe, and cause its agents and contractors to observe, all appropriate safety precautions in conducting Buyer's inspection of the Property and perform all work and cause its agents and contractors to perform all work, in such a manner so as not to cause any damage to the Property, injury to any person or to the environment, or interference with any ongoing operations at the Property. Buyer shall indemnify, defend, and hold Seller and its wholly-owned affiliates, subsidiaries, agents, employees, officers, directors, trustees, or other representatives of Seller (collectively, the "Indemnified Parties") harmless from and against any losses, damages, expenses, liabilities, claims, demands, and causes of action (together with any legal fees and other expenses incurred by any of the Indemnified Parties in connection therewith, but specifically excluding consequential damages), resulting directly from, or in connection with, any inspection of or other entry upon the Property (including any investigation of the Property necessary for completion of Buyer's Environmental Report and any entry onto the Property with the authorization of Seller) by Buyer, or its agents, employees, contractors, or other representatives, including, without limitation, any losses, damages, expenses, liabilities, claims, demands, and causes of action resulting, or alleged to be resulting, from injury or death of persons, or damage to the Property or any other property, or mechanic's or materialmen's liens placed against the Property in connection with Buyer's inspection thereof. Buyer agrees to promptly repair any damage to the Property directly caused by any acts of Buyer, or its agents or contractors, and to restore the Property to the condition that existed prior to Buyer's entry. Notwithstanding the foregoing, Buyer shall have no liability or obligation with respect to any adverse condition which existed at the Property prior to Buyer's inspection, except to the extent Buyer's inspection exacerbates such adverse condition. This Section shall survive Closing or other termination of this Agreement for nine (9) months.

Buyer agrees to provide Seller written notice at least fifteen (15) days before Closing indicating which employees of Seller's management company Buyer will hire. Seller shall cause the management company to terminate all employees as of Closing. Buyer shall not be

responsible for wages, bonuses, vacation pay, sick pay and health benefits on any employees which accrue prior to the Closing Date.

6.3 Environmental Matters.

6.3.1 Buyer's Environmental Investigation. Any "Phase II" (as such term is commonly used in the industry), or other invasive testing that Buyer requests shall require the prior written consent of Seller, which consent may be granted or withheld in Seller's sole and absolute discretion. Buyer agrees not to disturb any asbestos which may be located on the Property. "Phase II" or other invasive testing that Buyer's lender reasonably requests in connection with a loan to Buyer for the acquisition of the Property (the "Buyer's Lender") and which will not cause damage to any buildings or structures located on the Property and will not interfere with any ongoing operations at the Property are hereby permitted; provided that prior to the testing the environmental consultant to the Buyer's Lender shall provide Seller with all information reasonably requested by Seller regarding the scope of work and the environmental consultant's reasons for requiring the testing. Buyer hereby confirms that regardless of the results of said Phase II testing, Buyer shall have no rights to terminate this Agreement based upon the results of said Phase II testing. Buyer shall promptly repair any damage to the Property directly caused by any acts of Buyer's Lender or its representatives and/or agents and restore the Property to the condition that existed prior to the entry thereon by Buyer's Lender or its representatives and/or agents.

Buyer shall, within five (5) business days of Buyer's receipt, deliver to Seller any reports or other results of Buyer's environmental investigation of the Property, including the results of any testing performed by Buyer's Lender (collectively, "Buyer's Environmental Report(s)"). Failure of Buyer to timely deposit Buyer's Environmental Reports with Seller shall constitute a material default by Buyer hereunder.

6.3.2 Seller's Environmental Reports. Seller has delivered to Buyer copies of all environmental reports relating to the Property that were prepared by third party environmental consultants on Seller's behalf, which reports which are listed on Exhibit C attached hereto and made a part hereof (the "Existing Environmental Report(s)"). Buyer acknowledges receipt of the Existing Environmental Reports. Notwithstanding the foregoing, Seller shall be under no obligation to release any Existing Environmental Report(s) to Buyer that were prepared internally by Seller. Seller may, but shall not be required to, commission additional environmental testing of the Property at any time prior to the Closing Date, the cost of which shall be paid by Seller (the "Future Environmental Report(s)"). The Existing Environmental Report(s) and any Future Environmental Report(s) are hereinafter collectively referred to as "Seller's Environmental Reports." Seller shall provide Buyer with a copy of any final Future Environmental Report promptly after Seller's receipt of same. Anything to the contrary herein notwithstanding, Seller shall have no responsibility or liability with respect to the results or any inaccuracies in any Seller's Environmental Report(s), and makes no representations or warranties whatsoever regarding (i) the completeness of Seller's Environmental Report(s); (ii) the truth or accuracy of Seller's Environmental Report(s); or (iii) the existence or nonexistence of any hazardous or toxic wastes or materials in, on, or about the Property. Further, Seller is not

assigning Seller's Environmental Report(s) to Buyer or granting Buyer any rights with respect to any environmental firm(s) producing Seller's Environmental Report(s).

6.4 Approval and Termination.

6.4.1 Buyer's Right to Terminate. If Seller shall deliver to Buyer any Future Environmental Report(s) at any time after the Effective Date, and if Buyer is not satisfied with the results of the Future Environmental Report(s) based solely on matters not previously disclosed or known to Buyer, Buyer shall have the right to terminate this Agreement in accordance with Article 14 hereof, by giving Seller written notice of such termination on or before the date which is ten (10) days after Buyer's receipt of any Future Environmental Report ("Buyer's Review Date"). If Buyer receives any Future Environmental Reports less than ten (10) days before the Closing Date, then the Closing shall occur one (1) business day after Buyer's Review Date, or such earlier date to which Buyer and Seller may mutually agree. If Seller shall not timely receive a notice of termination from Buyer, Buyer shall be conclusively deemed to have approved the results of any Future Environmental Report, and Buyer shall have no further right to terminate this Agreement with respect to matters set forth in this Subsection.

6.4.2 Seller's Right to Terminate. If Buyer's Environmental Report or any Future Environmental Report (either one being a "New Report") discloses any existing environmental condition which materially and adversely affects the Property and/or Seller's interest therein, which condition was not disclosed in Seller's Environmental Reports and affects three (3) or more of the Storage Facilities, then Seller, in its sole discretion, shall have the right to terminate this Agreement in accordance with Article 14 hereof by giving Buyer written notice of such termination not later than ten (10) business days after Seller's receipt of a New Report (the "Seller's Review Date"). An environmental condition shall be deemed to materially and adversely affect the Property and/or Seller's interest therein if, in Seller's sole opinion, such condition (a) may result in further contamination of the soil, ground water, or other physical elements of either the Property or adjacent property; (b) poses a risk to human health; or (c) would be likely to create, result in, or impose upon Seller any liability after the Closing.

If Seller receives a New Report less than ten (10) business days before the Closing Date, the Closing Date shall be postponed five (5) business days after Seller's Review Date or such later date upon which Buyer and Seller may mutually agree. If Buyer shall not timely receive notice of termination from Seller, Seller shall be conclusively deemed to have accepted the results of a New Report and Seller shall have no further right to terminate this Agreement with respect to matters set forth in such New Report.

Notwithstanding anything to the contrary in this Agreement, if a New Report discloses any existing environmental condition which materially and adversely affects only one (1) or two (2), but not more, of the Storage Facilities and/or Seller's interest therein (each, an "Affected Facility") that is not one of the four (4) Storage Facilities owned by The Storage Company, LLC, which condition was not disclosed in Seller's Environmental Reports, Seller shall only have the right to terminate this Agreement with respect to the Affected Facility(ies) in accordance with Article 14 (in which case the Purchase Price for the remaining eight (8) or nine (9) Storage Facilities, as the case may be, shall be adjusted in accordance with the agreed upon

allocation for the Affected Facility(ies) set forth in Schedule 3 attached hereto and made a part hereof) by giving Buyer written notice of such termination not later than seven (7) business days after Seller's receipt of a New Report. If Seller terminates the Agreement with respect to the Affected Facility(ies), Seller expressly acknowledges that such termination with respect solely to the Affected Facility(ies) shall not be deemed to relieve either Buyer or Seller of their respective obligations hereunder to close title with respect to the remaining eight (8) or nine (9) Storage Facilities, as the case may be, and the Agreement shall remain in full force and effect as to such remaining eight (8) or nine (9) Storage Facilities, as the case may be. In such event, the parties shall proceed to Closing with respect to the remaining eight (8) or nine (9) Storage Facilities, as the case may be, in accordance with the terms of the Agreement at the reduced Purchase Price as determined by this paragraph and the Earnest Money shall be deemed to be a deposit against the remaining Property and Storage Facilities and the cash portion thereof shall be credited against such remaining eight (8) or nine (9) Storage Facilities, as the case may be, at Closing.

6.5 Service Contracts. With respect to the Service Contracts which Buyer has elected not to have assigned to it as of the Effective Date, Seller shall terminate such Service Contracts effective as of the Closing Date; provided, however, the Long Term Service Contracts shall be assigned to and assumed by Buyer at Closing. Buyer shall also assume all leases for trucks used in connection with the Property. If and to the extent that any such Service Contract is not terminable until a date after the Closing, notwithstanding Seller's delivery of the appropriate termination notice, then Buyer shall be responsible for all obligations under such Service Contract from the Closing Date until the effective date of termination.

6.6 Management of the Property. A. Prior to the Closing Date, Seller shall (or shall cause its affiliates to), at Seller's sole cost and expense:

1. Maintain and operate the Property in substantially the same condition and manner as the Property is now maintained and operated.
 2. Promptly deliver to Buyer a copy of any notice issued or received by Seller (including, without limitation, a notice of default) received under any mortgage, insurance policy or, to Seller's Actual Knowledge, any Tenant Lease and comply with such notice provided same is correct;
 3. Promptly deliver notice to the Buyer of all correspondence, actions, suits, claims and other proceedings affecting the Property, or the use, possession or occupancy thereof or of any damage or proposed taking or of any violations of any Hazardous Substances Laws;
 4. Promptly deliver copies of notices to Buyer of releases of Hazardous Material or any actual or threatened condemnation of the Property or any portion thereof, which, to Seller's Actual Knowledge, has been given by or on behalf of any federal, state or local agency;
 5. Maintain all existing and current licenses, permits and governmental approvals (collectively referred to as the "Permits") in full force and effect and promptly deliver
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notice to Buyer of any intention of Seller or its affiliates to seek any new Permit as well as copies of any written notices of violations;

6. Maintain the current insurance policies on the Property;

7. Promptly deliver to Buyer copies of any work orders or requirements of the Property against casualty loss which, to Seller's Actual Knowledge, Seller has received and proof that Seller has performed or commenced performing any such work orders or requirements where failure to do so would result in a diminution of insurance against casualty loss;

8. Seller agrees to cooperate with Purchaser's reasonable requests for documents or information in connection with Buyer's acquisition of the Property (excluding forecasts, budgets and projections), provided there is no additional expense to Seller and that such information is readily available to Seller and that such cooperation does not create any additional financial obligations or liability for the Seller

B. Prior to the Closing Date, Seller shall not and shall cause its affiliates not to:

1. Modify, amend, renew, extend, terminate or otherwise alter any contracts of the Seller or its affiliates affecting the Property which will remain in effect more than thirty (30) days after Closing;

2. Remove from the Property any article of Personal Property except as may be necessary for repairs, or the discarding of worn-out or useless items, provided, however, that any article of Personal Property removed for repairs shall be returned to the Property promptly upon its repair and shall remain a part of the Personal Property whether or not such article shall be located on the Property at the time of the Closing Date and any article so discarded shall be replaced prior to the Closing Date with a new article of similar quality and utility;

3. Modify, amend, renew, extend, terminate or otherwise alter any of the Service Contracts, nor enter into any new maintenance service contracts or any other agreements affecting the Property which cannot be terminated with thirty (30) days notice, without the prior written consent of Buyer in its sole discretion in each instance. Buyer shall notify Seller of its consent or refusal within five (5) business days after Seller's written request for consent;

4. Undertake or commence any renovations or alterations at the Property, except those necessary to comply with any of the provisions of this Agreement, without the prior written consent of Buyer in each instance, which consent shall not be unreasonably withheld, conditioned or delayed, provided such modification, amendment, renewal, extension, termination, alteration or new agreement does not materially affect the economic worth of the transaction to Buyer. Buyer shall notify the Seller of its consent or refusal within five (5) business days after Seller's written request for consent;

C. Buyer shall be notified by Seller promptly of the occurrence of any of the following has occurred to Seller's Actual Knowledge: fire or other casualty causing damage to the Property, or any portion thereof; receipt of notice of eminent domain proceedings or condemnation of or affecting the Property, or any portion thereof; receipt of notice from any

governmental authority or insurance underwriter relating to the condition, use or occupancy of the Property, or any portion thereof, setting forth any requirements with respect thereto; receipt or delivery of any default or termination notice or claim of offset or defense to the payment of rent from any tenant; receipt of any notice of default from the holder of any lien or security interest in or encumbering the Property, or any portion thereof; a change in the occupancy of the leased portions of the Property; notice of any actual litigation against Seller or affecting or relating to the Property, or any portion thereof; or the commencement of any strike, lock-out, boycott or other labor trouble affecting the Property, or any portion thereof.

6.7 Leasing. After the Effective Date, Seller shall send a listing of all any new Leases or amendments to Leases and any new Records Management Contracts and amendments to Records Management Contracts to Buyer on a monthly basis. Notwithstanding anything to the contrary in this Agreement, if any of the leases or Records Management Contracts are terminated prior to the Closing Date, Buyer shall remain obligated to consummate the transaction contemplated by this Agreement on the Closing Date.

ARTICLE 7

CLOSING

7.1 Buyer's Conditions Precedent to Closing. The obligations of Buyer with regard to Closing under this Agreement are, at its option, subject to the fulfillment of each and all of the following conditions prior to or at the Closing:

- (a) Seller shall have performed and complied with all the agreements and conditions required in this Agreement to be performed and complied with by Seller prior to Closing; and Buyer and Seller agree that Escrowholder may deem all such items to have been performed and complied with when Seller has deposited all items in Escrow as required hereunder.
- (b) Title Insurer is prepared to issue its ALTA Owner's Policy of Title Insurance in the amount of the Purchase Price showing title vested in Buyer subject only to the Permitted Exceptions and the usual exceptions found in said policy.
- (c) The representations by Seller contained herein shall be true and correct in all material respects as of the Closing Date.

If any one or more items listed above have not been satisfied as of the Closing Date, Buyer shall have the right to terminate this Agreement pursuant to Article 14 hereof.

7.2 Seller's Conditions Precedent to Closing. The obligations of Seller with regard to Closing under this Agreement are, at Seller's option, subject to the fulfillment of all of the following conditions prior to or at the Closing:

- (a) Buyer shall have performed and complied with all the agreements and conditions required by this Agreement to be performed and complied with by Buyer prior to Closing; and Buyer and Seller agree that Escrowholder may deem all such items to have been performed and complied with when Buyer has deposited with Escrowholder all items required hereunder.
- (b) The results of Buyer's Environmental Report and Future Environmental Report, if any, shall be satisfactory to Seller in its sole discretion as set forth in the Section hereof entitled "Seller's Right to Terminate"
- (c) The representations by Buyer contained herein shall be true and correct in all material respects as of the Closing Date.

If any one or more items listed above have not been satisfied as of the Closing Date, Seller shall have the right to terminate this Agreement pursuant to Article 14 hereof.

7.3 Deposits in Escrow. On or before the day preceding the Closing Date:

7.3.1 Seller's Deposits. Seller shall deliver to Escrowholder the following to be held in escrow:

- (a) **The Deeds** in the forms of Exhibit A-1 and A-2 attached hereto, or in the form required by the jurisdiction in which the Property is located;
- (b) **Certificate of Non-Foreign Status** in the form of Exhibit E attached hereto;
- (c) **Bill of Sale** in the form of Exhibit G attached hereto;
- (d) Title **Affidavits** and such other documents as are reasonably required by the Title Insurer;
- (e) **Seller's Certificate** in the form of Exhibit H attached hereto; and
- (f) **Seller's closing instructions** to Escrowholder.
- (g) **Loan Assumption Documents** in connection with the assumption by Buyer of the Assumed loans, in form reasonably acceptable to Seller
- (h) **Title to Motor Vehicles** which are being transferred at Closing
- (i) Updated rent rolls dated as of the Closing Date and represented and certified to Seller's Actual Knowledge to be true, correct and complete in all respects, provided, however, that any changes in

the Rent Roll as of the Closing Date shall not give Buyer any rights to terminate this Agreement, except as otherwise set forth in this Agreement.

- (j) An updated schedule of arrears dated as of the Closing Date and represented and certified to Seller's Actual Knowledge to be true, correct and complete in all respects, provided, however, that any changes in the schedule of arrears as of the Closing Date shall not give Buyer any rights to terminate this Agreement, except as otherwise set forth in this Agreement.
- (k) All Tenant Leases, tenant files, maintenance records, operating manuals, guarantees and warranties pertaining to the Property in Seller's possession, which items shall be located at the Property and be made available to Buyer.
- (l) All keys, combinations and security codes for all locks and security devices for the Property in the possession of the Seller;
- (m) Notices to those entities providing services to the Property which Buyer desires to retain in a form reasonably acceptable to Seller and Buyer.
- (n) Copies of any invoices in Seller's possession to the extent Buyer requires same to resolve tenant disputes.

7.3.2 Buyer's Deposits. Buyer shall deliver to Escrowholder the following to be held in escrow:

- (a) the balance of the Purchase Price, as provided herein;
- (b) **Buyer's closing instructions** to Escrowholder; and
- (c) **Buyer's Certificate** in the form of Exhibit I attached hereto.
- (d) **Loan Assumption Documents** required by Lender in connection with the assumption by Buyer of the Assumed Loans
- (e) evidence reasonably satisfactory to Seller that Buyer has the authority to enter into this Agreement and consummate the transaction contemplated hereby and that the person executing this Agreement and other instruments delivered in connection herewith on behalf of Buyer has full right, power and authority to do so.

7.3.3 Joint Deposits. Buyer and Seller shall jointly deposit with Escrowholder the following documents, each executed by persons or entities duly authorized to execute same on behalf of Buyer and Seller:

- (a) **Closing Statement** prepared by Escrowholder for approval by Buyer and Seller prior to the Closing Date and such closing statements shall be deposited with Escrowholder after the same has been executed by Buyer and Seller.
- (b) **Assignment and Assumption of Tenant Leases** in the form of Exhibit B attached hereto, assigning to Buyer all of Seller's right, title, and interest in the Tenant Leases.
- (c) **Assignment and Assumption of Service Contracts and Other Obligations** in the form of Exhibit K attached hereto, assigning to Buyer all of Seller's right, title, and interest in the Service Contracts and other obligations.
- (d) **New York State Combined Real Estate Transfer Tax Return and Credit Line Mortgage Certificate, Form TP-584**
- (e) **New York City Department of Finance Real Property Transfer Tax Return**
- (f) **New York State Real Estate Real Property Transfer Report**
- (g) all applicable New Jersey Real Property transfer tax returns and/or reports

7.3.4 Other Documents. Buyer and Seller shall deposit with Escrowholder all other documents which are required to be deposited in escrow by the terms of this Agreement.

7.4 Costs. Buyer shall pay the cost of (i) a standard ALTA Owner's Title Insurance Policy, and the cost of all endorsements to such owner's policy; (ii) the updated survey; (iii) the realty transfer or stamp taxes on any mortgages or deeds of trust placed on the Property by Buyer at Closing; (iv) recording fees; (v) all other costs and expenses of Buyer relating to the sale and Closing and (vi) all costs associated with the Loan Assumption or, in the event the Buyer does not assume the Existing Loans, all defeasance costs and expenses relating to the Existing Loans. Seller shall pay the cost of realty transfer or stamp taxes on the recordation of the Deeds. Buyer and Seller shall equally share the cost of Escrowholder's charge for the escrow, if any. Buyer and Seller shall each pay its own legal fees incurred in connection with the drafting and negotiating of this Agreement and the Closing of the transaction contemplated herein.

7.5 Prorations.

7.5.1. Generally. The following items shall be prorated between Buyer and Seller as of the Closing Date:

(a) Fixed rents payable by tenants and rents payable under the Records Management Contracts which are collected on or prior to the Closing in respect of the month (or other applicable collection period) in which the Closing occurs (the "Current Month"), shall be prorated on a per diem basis based upon the number of days in the Current Month prior to the Closing Date (which shall be allocated to Sellers) and the number of days in the Current Month on and after the Closing Date (which shall be allocated to Buyer). The Record Management Contracts shall be prorated at the time of Closing so that all fees attributable to periods prior to Closing shall be retained by Seller and any fees collected which are attributable to periods after Closing shall go to Buyer. For a period of ninety (90) days after Closing, each month, at the end of the month, a proration of fees collected for the Records Management Contracts shall be performed by Seller and Buyer and any fees collected which are attributable to periods prior to Closing shall be the property of Seller and any fees collected which are attributable to periods after Closing shall be the property of Buyer. To the extent Buyer or Seller receives any fees under the Records Management Contracts which need to be prorated as set forth herein, at the time the proration is performed, either party shall promptly tender amounts due to the other party to the extent said amounts are due hereunder.

(b) The rent collected from the Tenant Leases shall be prorated at the time of Closing so that the rent attributable to periods prior to Closing shall be retained by Seller and any rent collected which is attributable to periods after Closing shall go to Buyer. For a period of ninety (90) days after Closing, each month, at the end of the month, a proration of rent collected from the Tenant Leases shall be performed by Seller and Buyer and any rent collected which is attributable to periods prior to Closing shall be the property of Seller and any rent collected which is attributable to periods after Closing shall be the property of Buyer. To the extent Buyer or Seller receives and rent under the Tenant Leases which needs to be prorated as set forth herein, at the time the proration is performed, either party shall promptly tender amounts due to the other party to the extent said amounts are due hereunder.

(c) All unapplied Security Deposits, if any, shall be turned over to the Buyer at the Closing. Buyer further acknowledges that Seller shall be entitled to retain the portion of the Security Deposit applicable to the period prior to the Closing Date of any tenant whose Lease has been terminated and who is not in possession of a portion of the Property on the Closing Date.

(d) Real Estate taxes, unmetered water and sewer charges and vault charges, if any, Business Improvement District assessments and any and all other municipal or governmental assessments of any and every nature levied or imposed upon the Property in respect of the current fiscal year of the applicable

taxing authority in which the Closing Date occurs (the "Current Tax Year"), shall be prorated on a per diem basis based upon the number of days in the Current Tax Year prior to the Closing Date (which shall be allocated to Seller) and the number of days in the Current Tax Year on and after the Closing Date (which shall be allocated to Buyer). If the Closing shall occur before the tax rate for the Current Tax Year is fixed, the apportionment of real estate taxes shall be based upon the most recent tax bill and shall be adjusted post-Closing, but no later than sixty (60) days post-Closing. In no event shall Seller be charged with or be responsible for any increase in the real estate taxes or assessments levied or imposed upon the Property resulting from the transfer of the Property herein contemplated or from any improvements made or any lease entered into at any time or for any reason. If any such assessments are levied or imposed upon the Property and are payable in installments, the installment for the Current Tax Year shall be prorated in the manner set forth above and the Buyer hereby assumes the obligations to pay any such installments due on and after the Closing Date. Except for real estate taxes or taxes relating to special taxing districts relating to the Property, which will be prorated between Seller and Buyer as of the Closing Date, if there are any current special assessments resulting from the development of the Property which were agreed to by Seller and imposed upon the Property at the time of the development of the Property, but not yet paid in full by Seller, those costs shall remain the liability of Seller.

(e) Any charges or fees for transferable licenses or permits for the Property in respect of the number of days in the applicable billing period in which the Closing occurs, shall be prorated on a per diem basis, based upon the number of days in such period prior to the Closing Date (which shall be allocated to Seller) and the number of days in such period on and after the Closing Date (which shall be allocated to Buyer).

(f) Payments made by Seller under the Service Contracts which Buyer has elected to assume pursuant to the terms hereunder and the Long Term Service Contracts which Buyer shall assume pursuant to the terms hereunder in respect of the number of days in the applicable billing period in which the Closing occurs, shall be prorated on a per diem basis based upon the number of days in such period prior to the Closing Date (which shall be allocated to Sellers) and the number of days in such period on and after the Closing Date (which shall be allocated to Buyer).

(g) From and after the Effective Date, Seller is hereby authorized to continue any proceeding or proceedings now pending for the reduction of the assessed valuation of the Property; and in Seller's sole discretion at its sole cost and expense to litigate or settle same; provided, however, the Buyer shall be entitled to that portion of any refund relating to the period occurring on or after the Closing after reduction in the refund amount by the payment to Seller of all out-of-pocket costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements, actually incurred by

Seller in obtaining such refund. Any refunds or credits due for the period prior to Buyer's ownership of the Property shall remain the sole property of Seller, and to the extent Buyer or Seller receives any funds on account thereof, it agrees to promptly deliver such funds to the appropriate party. Seller shall not commence any new proceeding without the prior written consent of Buyer, which consent maybe withheld by Buyer in its reasonable discretion.

(h) All expenses of operating the Property which have been prepaid by Seller (except insurance pursuant to Section 7.6) shall be prorated. Expenses incurred in operating the Property that Seller customarily pays and any other costs incurred in the ordinary course of business or the management and operation of the Property shall be prorated.

(i) Seller shall receive credit for assignable utility deposits, if any, which are assigned to Buyer at Buyer's request or with Buyer's consent. To the extent possible, Seller shall cause all utility meters with respect to utility charges which are not payable by tenants, to be read as of the Closing Date, and Seller shall pay all charges for those utilities payable by Seller with respect to the Property which have accrued to and including the Closing Date and Buyer shall pay all such expenses accruing after the Closing Date.

Buyer and Seller agree to estimate any amounts which cannot be determined accurately as of the Closing Date. Prorations and adjustments shall be made by credits to or charges against the Purchase Price. For purposes of calculating prorations, Seller shall be deemed to be entitled to the income and responsible for the expenses for the entire day prior to the date on which the Closing occurs and Buyer shall be deemed to be entitled to the income and responsible for the expenses for the entire day on which the Closing occurs. All prorations shall be made in accordance with customary practice in the county in which the Property is located, except as expressly provided herein; in the event of dispute between Buyer and Seller, the advice of Title Insurer shall be determinative as to what is customary.

The parties shall endeavor to jointly prepare a schedule of prorations for the Property not less than three (3) business days prior to Closing, with the understanding that rent prorations will be updated on the day of Closing. If Seller shall have collected escalation payments for periods prior to Closing, whether pursuant to estimates which were in excess of or less than the amounts actually required to be paid, or otherwise, there shall be an adjustment and credit to Buyer or Seller, as the case may be, at Closing for such excess. The parties shall correct any errors in prorations as soon after the Closing as amounts are finally determined, but no later than sixty (60) days after Closing.

This Section 7.5 shall survive the Closing for nine (9) months and shall not merge with the Deed.

7.6 Insurance. The fire, hazard, and other insurance policies relating to the Property shall be canceled by Seller as of the Closing Date and shall not, under any circumstances, be

assigned to Buyer. All unearned premiums for fire and any additional hazard insurance premium or other insurance policy premiums with respect to the Property shall be retained by Seller.

7.7 Close of Escrow. As soon as Buyer and Seller have deposited all items required with Escrowholder, and upon satisfaction of Sections 7.1 and 7.2, Escrowholder shall cause the sale and purchase of the Property to be consummated (the "Closing") in accordance with the terms hereof by immediately and in the order specified:

- (a) **Wire Transfer.** Wire transferring the Purchase Price less (i) Seller's Broker's commission (ii) the amount of costs paid by Seller at Closing, and (iii) plus or minus the amount of any prorations pursuant to the terms hereof, all as set forth on the closing statement signed by Seller and Buyer, directly to Seller pursuant to Seller's written closing instructions. If, in the opinion of Escrowholder, the wire transfer cannot be initiated by Escrowholder on or before 1:30 p.m., Central Time, on the Closing Date, then after Escrowholder obtains Seller's approval upon telephonic consultation with Seller, the Closing shall be consummated on the next business day, but the net sales proceeds shall be invested overnight in federal securities, or in a federally insured bank account, in the name of Escrowholder, and such net sales proceeds plus the interest earned thereon shall be disbursed by Escrowholder the next business day, after which the Deeds shall be recorded. Such delay of the Closing will not release Buyer or Seller from their obligations under this Agreement.
- (b) **Recordation.** Recording the Deeds.
- (c) **Delivery of Other Escrowed Documents.**
 - (i) **Joint Delivery.** Delivering to each of Buyer and Seller at least one executed counterpart of each of the (a) Assignment and Assumption of Leases; (b) Assignment and Assumption of Service Contracts and Other Obligations; (c) closing statement and (d) all applicable state and county transfer tax returns.
 - (ii) **Buyer's Delivery.** Delivering to Buyer the (a) Bill of Sale; (b) Certificate of Non-Foreign Status; (c) Certificate of Corporate Authorization; (d) Seller's Certificate; and (e) Affidavit as to Debts, Liens, Parties in Possession and GAP Coverage.
 - (iii) **Seller's Delivery.** Delivering to Seller the (a) Buyer's Certificate, and (b) Assignment and Assumption of Real Estate Purchase Sale Agreement, if applicable.
- (d) **Broker's Commission.** Delivering to Seller's Broker, the commission as reflected on the closing statement executed by Seller and Buyer.

7.8 Possession. As of the Closing Date, possession of the Property, subject to the rights and interests of tenants in possession pursuant to the Tenant Leases, along with the following items shall be delivered to Buyer:

- (a) **Tenant Lease(s).** The original of each Tenant Lease and any amendments thereto (if available), or a copy of each Tenant Lease and any amendments thereto in the possession of Seller, if not previously delivered to Buyer.
- (b) **Service Contracts.** The originals of all Service Contracts in the possession of Seller that have been assigned to and assumed by Buyer, if not previously delivered to Buyer.
- (c) **Keys and Combinations.** Any keys and or key cards to any door or lock on the Property in the possession of Seller.
- (d) **Licenses and Permits.** All original licenses or permits or certified copies thereof issued by governmental authorities having jurisdiction over the Property which Seller has in its possession and which are transferable.

7.9 Recorded Instruments. As soon after the Closing as possible, Escrowholder shall deliver to Buyer the original recorded Deeds, and shall deliver to Seller a copy of the recorded Deeds, with recordation information noted thereon.

7.10 Tenant Notice(s). On or before the Closing Date, Seller (or its property manager) and Buyer shall execute a notice to the tenants of the Property, in the form of Exhibit N attached hereto, informing tenants that the Property has been sold by Seller to Buyer. Immediately following the Closing, Seller's property manager shall deliver such notices to all of the tenants of the Property. Similar notices shall be prepared and delivered to parties to the Record Management Contracts.

ARTICLE 8

CONDEMNATION AND CASUALTY

If any condemnation, loss, damage by fire, or other casualty to any Storage Facility occurs prior to the Closing Date, Seller shall give prompt written notice to Buyer.

If any condemnation or taking of any Storage Facility, or loss or damage by fire or other casualty to any Storage Facility occurs prior to the Closing, which does not exceed the Materiality Limit, the Closing shall occur just as if such condemnation, loss, or damage had not occurred, and Seller shall assign to Buyer all of Seller's interest in any condemnation actions and proceeds, or deliver to Buyer any and all proceeds paid to Seller by Seller's insurer with respect to such fire or other casualty; provided, however, that Seller shall be entitled to retain an amount of such insurance proceeds equal to Seller's reasonable expenses, if any, incurred by Seller in repairing the damage caused by fire or other casualty. At Closing, in the case of a fire or other casualty, Seller shall give Buyer a credit on the Purchase Price equal to the lesser of the

estimated cost of restoration or the amount of any deductible, unless Seller has repaired the damage caused by such fire or other casualty. Seller shall maintain “all risk” replacement value insurance coverage in place on the Property at all times prior to the Closing.

In the event, prior to the Closing, of any condemnation of all or a part of any Storage Facility, or loss or damage by fire or other casualty to a Storage Facility, which exceeds the Materiality Limit, at Buyer’s sole option, either:

- (a) this Agreement shall terminate in accordance with Article 14 hereof if Buyer shall so notify Seller in writing within ten (10) days of Buyer receiving notice from Seller of the casualty or condemnation; or
- (b) if Buyer shall not have timely notified Seller of its election to terminate this Agreement in accordance with paragraph (a) above, the Closing shall occur just as if such condemnation, loss, or damage had not occurred, without reduction in the Purchase Price, and Seller shall assign to Buyer all of Seller’s interest in any condemnation actions and proceeds or deliver to Buyer any and all proceeds paid to Seller by Seller’s insurer with respect to such fire or other casualty; provided, however, that Seller shall be entitled to retain an amount of such insurance proceeds equal to Seller’s reasonable expenses, if any, incurred by Seller in repairing the damage caused by such fire or other casualty. At Closing, in the case of a fire or other casualty, Seller shall give Buyer a credit on the Purchase Price equal to the lesser of the estimated cost of restoration or the amount of the deductible, unless Seller has repaired the damage caused by such fire or other casualty.

Notwithstanding anything contained herein to the contrary, the insurance proceeds to be credited or delivered to Buyer pursuant to this Article will exclude business interruption or rental loss insurance proceeds, if any, allocable to the period prior to the Closing Date, which proceeds will be retained by Seller. Any condemnation proceeds or business interruption or rental loss insurance proceeds received by Seller and allocable to the period on and after the Closing Date shall be delivered to Buyer. This provision shall survive Closing.

ARTICLE 9

NOTICES

All notices, requests, demands, and other communications given pursuant to this Agreement shall be in writing and shall be deemed to have been duly delivered, (i) when hand delivered to the addressee; (ii) one (1) business day after having been deposited, properly addressed and prepaid for guaranteed next-business-day delivery with a nationally recognized, overnight courier service (e.g., FedEx, or U.S. Express Mail); or (iii) when received via facsimile transmission as evidenced by a receipt transmission report, provided that a copy is also promptly delivered pursuant to either of the methods set forth in (i) or (ii) immediately above. All such notices, requests, or demands shall be addressed to the party to whom notice is intended to be given at the addresses set forth in Article 2 hereof or to such other address as a party to this

Agreement may from time to time designate by notice given to the other party(ies) to this Agreement.

ARTICLE 10

SUCCESSORS AND ASSIGNS

Neither this Agreement nor any interest therein shall be assigned or transferred by Seller. However, Buyer may assign or otherwise transfer all of its interest under this Agreement to an entity or entities directly or indirectly controlled by Buyer ("Assignee") provided that, in such event, (i) Buyer and Assignee shall be jointly and severally liable for all of the representations, warranties, indemnities, waivers, releases and other obligations and undertakings set forth in this Agreement, and (ii) not less than seven (7) business days prior to the Closing Date, Buyer shall deliver to Seller (a) written notice of such assignment in which the exact nature of Assignee's affiliation with Buyer is set forth, along with the precise signature block to be included in all closing documents; and (b) a copy of an Assignment and Assumption of Real Estate Purchase and Sale Agreement in the form of Exhibit O attached hereto. Subject to the foregoing, this Agreement shall inure to the benefit of, and shall be binding upon, Seller and Buyer and their respective successors and assigns.

ARTICLE 11

BROKERS

Buyer and Seller represent to each other that they have dealt with no broker or other person except Seller's Brokers in connection with the sale of the Property in any manner which might give rise to any claim for commission. Seller agrees to be responsible for payment of Seller's Brokers' fees only, and does not assume any liability with respect to any fee or commission payable to any co-broker or any other party. No broker or person other than Seller's Brokers is entitled to receive any broker's commissions, finder's fees, or similar compensation from Seller in connection with any aspect of the transaction contemplated herein. It is agreed that if any claims for brokerage commissions or fees are ever made against Seller or Buyer in connection with this transaction, all such claims shall be handled and paid by the party whose actions or alleged commitments form the basis of such claim, and said party who is responsible shall indemnify and hold the other party harmless against any claim for brokerage or finder's fees, or other like payment based in any way upon agreements, arrangements, or understandings made or claimed to have been made by Buyer or Seller with any third person. This provision shall survive the Closing or other termination of this Agreement.

ARTICLE 12

COVENANT NOT TO RECORD

Buyer will not record this Agreement or any memorandum or other evidence thereof. Any such recording shall constitute a material default hereunder on the part of Buyer.

ARTICLE 13

DEFAULT

In the event of a default by either Seller or Buyer, the remedies for default provided for in this Article 13 shall constitute the sole and exclusive remedies of the other party.

13.1 Default by Buyer. If Buyer fails to deposit the Earnest Money when required, this Agreement shall automatically terminate and both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. If Buyer fails to consummate the Closing on the Closing Date, this Agreement shall automatically terminate and Seller's sole and exclusive remedy shall be to retain all Earnest Money (including all interest thereon) as liquidated damages and both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. In the event of any default on the part of Buyer, other than its failure to deposit the Earnest Money when required hereunder or to consummate the Closing on the Closing Date as set forth above, Seller, as Seller's sole and exclusive remedy, shall have the right, following Seller's giving Buyer written notice of such default on Buyer's failure to cure such default within five (5) business days following such notice being given, to terminate this Agreement and retain all Earnest Money (including all interest thereon) as liquidated damages, in which event, both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. The Earnest Money amount is agreed upon by both parties as liquidated damages, acknowledging the difficulty and inconvenience of ascertaining and measuring actual damages and the uncertainty thereof. Notwithstanding the foregoing, Buyer and Seller agree that nothing contained herein shall limit Seller's right to seek and obtain damages from Buyer due to Buyer defaulting in its obligations hereunder which expressly survive the termination of this Agreement.

13.2 Default by Seller. Except as otherwise set forth in Section 5.3(c) which matters will be handled in accordance with the provisions set forth therein, in the event of default by Seller, Buyer shall provide written notice to Seller of said default (the "Seller Default"). If the Seller Default can be cured by Seller at an expense not to exceed 2% of the Purchase Price, Seller must cure said Seller Default. Seller shall have a period of thirty (30) days after receipt of written notice from Buyer to Seller of the Seller Default in which to cure such Seller Default. As soon as the Seller Default has been cured by the Seller, Buyer shall proceed to Closing hereunder. If, despite Seller's reasonable efforts to cure said Seller Default, Seller cannot cure said Seller Default within the thirty (30) day period, Seller may elect to extend the Closing an additional thirty (30) day period (the "Additional Extension"). If, after the Additional Extension, Seller cannot cure said Seller Default, Buyer shall have the option to elect to (i) proceed to Closing hereunder with no abatement of, credit against or reduction in the Purchase Price or (ii) to terminate this Agreement and receive reimbursement of the Earnest Money (including all interest thereon), in which event both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. In the event the cost to cure a Seller Default exceeds 2% of the Purchase Price or in the event the Seller Default is of a nature that it cannot be cured, Buyer may elect either (i) to terminate this Agreement and receive reimbursement of the Earnest Money (including all interest thereon), in

which event both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement or (ii) proceed to Closing hereunder, with no abatement of, credit against or reduction in the Purchase Price.

ARTICLE 14

NON-DEFAULT TERMINATION

In the event of any termination of this Agreement pursuant to a provision expressly stating that the provisions of this Article are applicable, the following provisions shall apply:

- (a) except for those obligations which expressly survive termination of this Agreement, neither Buyer nor Seller shall have any further obligations hereunder; and
- (b) upon satisfaction of all of Buyer's monetary obligations under this Agreement, which shall include Buyer's obligation to restore the Property to the condition that existed prior to Buyer's entry pursuant to Section 6.2 hereof, the Earnest Money (including interest earned thereon) shall be returned to Buyer upon Seller's receipt of (i) written notice from Buyer expressly acknowledging the termination of all of Buyer's interest in the Property and this Agreement; and (ii) all materials provided to Buyer by Seller or Seller's agents, and any copies made by Buyer or Buyer's agents pursuant to this Agreement; provided, however, that failure of Buyer to give Seller such notice shall not be construed to expand Buyer's rights or remedies in any manner.

ARTICLE 15

INDEMNITIES

15.1 Seller Indemnity.

(a) Effective as of the Closing Date, Seller shall indemnify, defend and hold Buyer harmless from and against any actual, direct damages (and reasonable attorneys' fees and other reasonable legal costs) incurred by Buyer within nine (9) months of the Closing Date ("Limitation Period") resulting from an inaccuracy as of the Closing Date in the representations and warranties of Seller set forth in Section 3.1 hereof, of which inaccuracy Buyer had no knowledge of on or before the Closing Date. For purposes herein, Buyer's knowledge means the knowledge of Joel Braun and Steven Dluzyn. Such agreement by Seller to so indemnify, defend and hold Buyer harmless shall be null and void except to the extent that, prior to the expiration of the Limitation Period, Seller shall have received notice from Buyer pursuant to Article 9 hereof referring to this Section and specifying the amount, nature, and facts underlying any claim being made by Buyer hereunder. Seller's liability under this Section 15.1(a) shall be limited to damages, which, in the aggregate (i) exceed Fifty Thousand Dollars (\$50,000.00) and (ii) are less than

Two Million and Dollars (\$2,000,000). In no event shall Seller be liable for consequential, punitive and/or exemplary damages of any nature whatsoever.

(b) Effective as of the Closing Date, Seller shall indemnify, defend and hold Buyer harmless from and against any actual, direct damages (but not for any attorneys' fees and other legal costs incurred by Buyer if Seller or its insurer shall conduct the defense) incurred by Buyer with respect to a claim which (a) is made by a third party alleging a tort committed by Seller or (b) alleges bodily injury or property damage related to the Property and occurring during Seller's ownership of the Property..

15.2 Buyer Indemnity.

(a) Effective as of the Closing Date, Buyer shall indemnify, defend and hold Seller harmless from and against any actual, direct damages (and reasonable attorneys' fees and other reasonable legal costs) incurred by Seller within six (6) months of the Closing Date ("Limitation Period") resulting from an inaccuracy as of the Closing Date in the representations and warranties of Buyer set forth in Section 3.3. Such agreement by Buyer to so indemnify, defend and hold Seller harmless shall be null and void except to the extent that, prior to the expiration of the Limitation Period, Buyer shall have received notice from Seller pursuant to Article 9 referring to this Section and specifying the amount, nature, and facts underlying any claim being made by Seller hereunder. In no event shall Buyer be liable for consequential, punitive and/or exemplary damages of any nature whatsoever. Buyer's liability under this Section 15.2(a) shall be limited to damages which in the aggregate (i) exceed Fifty Thousand Dollars (\$50,000) and (ii) are less than \$2,000,000.

(b) Effective as of the Closing Date, Buyer shall indemnify, defend and hold Seller harmless from and against any actual, direct damages (but not for any attorneys' fees and other legal costs incurred by Seller if Buyer or its insurer shall conduct the defense) incurred by Seller in connection with or arising out of a claim which (a) is made by a third party alleging a tort committed by Buyer or (b) alleges bodily injury or property damage related to the Property occurring on or after the Closing Date.

15.3 Unknown Environmental Liabilities. Unknown environmental liabilities (as defined below) shall be allocated in accordance with applicable law. As used herein, "Unknown Environmental Liabilities" means future obligations to remediate Hazardous Material contamination located on, or originating from the Property which occurred on or before the Closing Date, but only to the extent (a) the underlying Hazardous Material is not disclosed in Seller's Environmental Report(s) or Buyer's Environmental Report(s), (b) neither Seller nor Buyer has notice of such Hazardous Material as of the Closing Date, and (c) remediation or other action with respect to such Hazardous Material is then required by an applicable governmental agency under then current state or federal environmental laws or regulations and also would have been required under state or federal environmental laws or regulations existing as of the Closing Date. Neither Seller nor Buyer shall solicit the involvement of local, state or federal governmental agencies in any of the aforesaid determinations, except only to the extent required by law.

15.4 Release. Except with respect to Seller's indemnification obligations set forth in Section 15.1 hereof and Seller's obligations, if any, under Section 15.3 hereof, Buyer, for itself and any of its designees, successors and assigns, hereby irrevocably and absolutely waives, releases, and forever discharges, and covenants not to file or otherwise pursue any legal action (whether based on contract, statutory rights, common law or otherwise) against the Indemnified Parties with respect to any and all suits, claims, damages, losses, causes of action, and all other expenses and liabilities relating to this Agreement or the Property, whether direct or indirect, known or unknown, contingent or otherwise (including, without limitation, suits, claims, damages, losses, causes of action, and all other expenses and liabilities relating to environmental law and/or the presence of Hazardous Materials or Indoor Air Pollutants), whether direct or indirect, known or unknown, foreseeable or unforeseeable, and whether relating to any period of time either before or after the Closing Date. In connection with this Section 15.4, Buyer hereby expressly waives the benefits of any provision or principle of federal or state law, or regulation that may limit the scope or effect of the foregoing waiver and release to the extent applicable.

Except with respect to Buyer's indemnification obligations set forth in Section 15.2 hereof and Buyer's obligations, if any, under Section 15.3 hereof, Seller, for itself and any of its designees, successors and assigns, hereby irrevocably and absolutely waives, releases, and forever discharges, and covenants not to file or otherwise pursue any legal action (whether based on contract, statutory rights, common law or otherwise) against the Indemnified Parties with respect to any and all suits, claims, damages, losses, causes of action, and all other expenses and liabilities relating to this Agreement or the Property, whether direct or indirect, known or unknown, contingent or otherwise, whether direct or indirect, known or unknown, foreseeable or unforeseeable, and whether relating to any period of time either before or after the Closing Date. In connection with this Section 15.4, Seller hereby expressly waives the benefits of any provision or principal of federal or state law, or regulation that may limit the scope or effect of the foregoing waiver and release to the extent applicable.

15.5 Survival. All of the provisions of this Article 15 shall survive the Closing.

ARTICLE 16

MISCELLANEOUS

16.1 Survival of Representations, Covenants, and Obligations. Except as otherwise expressly provided herein, no representations, covenants, or obligations contained herein shall survive Closing or termination of this Agreement.

16.2 Attorneys' Fees. In the event of any litigation between the parties hereto concerning this Agreement, the subject matter hereof or the transactions contemplated hereby, the losing party shall pay the reasonable attorneys' fees and costs incurred by the prevailing party in connection with such litigation, including appeals.

16.3 Publicity. Buyer and Seller agree to treat this transaction as strictly confidential prior to Closing. Without limiting the foregoing, neither party will make any public

announcement of the transactions contemplated herein, and will not directly or indirectly contact the Property's vendors or contractors until after Closing occurs. Neither party will publicly advertise or announce the sale of the Property, except by mutual written consent, until after the Closing Date. In no event will either party advertise or announce the terms of this Agreement, except by mutual written consent.

16.4 Captions. The headings or captions in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

16.5 Waiver. No waiver by any party of any breach hereunder shall be deemed a waiver of any other or subsequent breach.

16.6 Time. Time is of the essence with regard to each provision of this Agreement, including, without limitation, the Closing Date. If the final date of any period provided for herein for the performance of an obligation or for the taking of any action falls on a Saturday, Sunday, or national/banking holiday, then the time of that period shall be deemed extended to the next day which is not a Saturday, Sunday, or national/banking holiday. If the Closing Date provided for herein should fall on a Friday, Saturday, Sunday, or national/banking holiday, then the Closing Date shall be deemed extended to the next day which is not a Friday, Saturday, Sunday, or banking holiday. Each and every day described herein shall be deemed to end at 5:00 p.m. Central Time.

16.7 Controlling Law. This Agreement shall be construed in accordance with the laws of the state of New York (without regard to principles of conflicts of law).

16.8 Severability. If any one or more of the provisions of this Agreement shall be determined to be void or unenforceable by a court of competent jurisdiction or by law, such determination will not render this Agreement invalid or unenforceable, and the remaining provisions hereof shall remain in full force and effect.

16.9 Construction. Buyer and Seller agree that each party and its counsel have reviewed, and if necessary, revised this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, exhibits, or schedules hereto.

16.10 Execution. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed an original, but such counterparts together shall constitute but one agreement.

16.11 Amendments. This Agreement may be modified, supplemented, or amended only by a written instrument executed by Buyer and Seller.

16.12 Entire Agreement. This Agreement constitutes the entire and complete agreement between the parties relating to the transactions contemplated hereby, and all prior or contemporaneous agreements, understandings, representations, warranties, and statements, oral or written, are merged herein. No representation, warranty, covenant, agreement, or condition

not expressed in this Agreement shall be binding upon the parties hereto or shall affect or be effective to interpret, change, or restrict the provisions of this Agreement.

16.13 Tax Free Exchange. Notwithstanding anything to the contrary contained in this Agreement, Seller and Buyer acknowledge that Seller shall have the right at Closing to exchange the Real Property in a transaction intended to qualify as a tax free exchange under Section 1030 of the Code (a “Tax Free Exchange”). If Seller elects to effect a Tax Free Exchange pursuant to this Section 16.13, Seller shall provide written notice to Buyer prior to Closing, in which case Buyer shall enter into an exchange agreement and other exchange documents with a “qualified intermediary” (as defined in Treas. Reg. §1.103(k)-1(g)(4) of the Code) (the “Exchange Party”), pursuant to which Seller shall execute and deliver such documents as maybe required to complete the transactions contemplated by the Tax Free Exchange which are in form and substance reasonably acceptable to Buyer, and otherwise cooperate with Seller in all reasonable respects to effect the Tax Free Exchange. In no event shall Seller’s consummate of a Tax Free Exchange be a condition to Closing or delay or postpone the Closing. Seller shall indemnify, defend and hold Buyers harmless from and against any and all losses that may be incurred by Buyer in connection with Seller’s use of the transaction as a Tax Free Exchange. The provisions of this Section 16.13 shall survive the Closing or earlier termination of this Agreement.

16.14 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original document, but all of which counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed as of the Effective Date.

SELLER:

Suffern Self Storage, L.L.C., a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
A Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

By: Suffern Manager, LLC, a Delaware limited liability company,
A member

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Jersey City Self Storage, L.L.C.,
a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Bronx Self Storage, L.L.C.,
a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Linden Self Storage, L.L.C.,
A New Jersey limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Webster Self Storage, L.L.C., a
Delaware limited liability company

By: American Storage Properties North LLC, a
Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

The Storage Company LLC,
a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

[Signatures Continued on Following Page]

BUYER:

Acadia Storage Post LLC,
a Delaware limited liability company

By: _____

Name:

Title:

RECEIPT BY ESCROWHOLDER

_____ Title Insurance Company shall serve as Escrowholder pursuant to the terms and provisions of that certain Real Estate Purchase and Sale Agreement between The Northwestern Mutual Life Insurance Company and _____ (the "Agreement"), and hereby acknowledges receipt of a fully executed copy of the Agreement and the Earnest Money referred to therein in the sum of _____. _____ Title Insurance Company agrees to accept, hold, apply, and/or return such Earnest Money, and disburse any funds received pursuant to the provisions of the Agreement, and otherwise comply with the obligations of Escrowholder as set forth in the Agreement.

Fidelity National Title Insurance Company

By: _____

Name: _____

Its: _____

Date of receipt: _____

EXHIBIT A-1
Form of Deed for NY Storage Facilities

THIS INDENTURE, made the _____ day of _____, two thousand and _____

BETWEEN

_____ party of the first part, and
_____ party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars, and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the part of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the

See Attached Schedule "A"

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof;

TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

SUBJECT TO all easements, restrictions, encumbrances and other matters of record.

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.

AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose. The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

In presence of:

[Add Signature Lines and Acknowledgments]

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Within New York State)

State of New York)
)ss.:
County of _____)

On the _____ day of _____ in the year 20____ before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Signature and Office of individual
taking acknowledgment

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Outside of New York State)

State, District of Columbia, Territory, Possession, or Foreign Country
_____) ss.:

On the _____ day of _____ in the year 20____ before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their/ capacity (ies), that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument, and that such individual made such appearance before the undersigned in the _____. (Insert the city or other political subdivision and the state or country or other place the acknowledgment was taken).

(Signature and office of individual
taking acknowledgment.)

Schedule "A" to Deed
LEGAL DESCRIPTION

EXHIBIT A-2

Form of Deed for New Jersey Storage Facilities

RECORD AND RETURN TO:

PREPARED BY:

_____, Esq.

DEED

This Deed is made on the _____ day of _____, 20_____.

Between:

_____, a _____, having an address at _____
_____ (the "Grantor").

And:

_____, a _____, having an address at _____ (the
"Grantee").

The terms "Grantor" and "Grantee" shall mean all Grantors and all Grantees listed above.

Transfer of Ownership. In consideration for the sum of _____ AND 00/100
DOLLARS (\$_____.00), the receipt and sufficiency of which are hereby acknowledged, the Grantor hereby sells, grants and conveys
(transfers ownership of) the Property (as defined below) to the Grantee.

Tax Map Reference. (N.J.S.A. 46:15-2.1) Municipality of: _____; The Property is known and designated as Block
_____, Lot _____ on the official tax map of the _____, County of _____ and
State of New Jersey.

Property. The property conveyed by this Deed (the "Property") consists of the land and all the buildings, structures, improvements and other fixtures on
the land and all of the Grantor's rights relating to the land, located in the _____, County of _____ and State of New
Jersey. The legal description of the Property is as follows:

See Schedule A, attached hereto and made a part hereof.

BEING the same property conveyed to the Grantor herein by Deed from _____ dated _____, recorded __
_____ in Deed Book _____, Page _____.

THIS CONVEYANCE IS SUBJECT TO all easements, restrictions, encumbrances and other matters of record.

The mailing address of the Property is _____.

Covenant As To Grantor's Acts. The Grantor hereby covenants that the Grantor has done no act to encumber the Property. This promise is called a "covenant as to grantor's acts" (N.J.S.A. 46:4-6). This promise means that the Grantor has not allowed anyone to obtain any legal rights which affect the Property (such as by making a mortgage or allowing a judgment to be entered against the Grantor).

[Signatures on next page]

IN WITNESS WHEREOF, the Grantor has signed this Deed as of the date set forth above.

_____,
a _____

By: _____
Name:
Title:

STATE OF _____

ss.:

COUNTY OF _____

I certify that on this _____ day of _____, 20_____ personally came before me and stated to my satisfaction that she is (a) the maker of the attached Deed; (b) was authorized to and did execute this Deed as _____ of _____, a _____, the entity named in the Deed; and (c) made this Deed for \$_____.00 as the full and actual consideration paid or to be paid for the transfer of title (such consideration is defined in N.J.S.A. 46:15-5).

Notary Public

SCHEDULE A

Legal Description

EXHIBIT B

ASSIGNMENT AND ASSUMPTION OF LEASES

THIS ASSIGNMENT AND ASSUMPTION OF LEASES ("Assignment") is made and entered into as of the _____ day of _____, 20_____, to be effective as of the Closing Date, by and between _____ ("Assignor"), and _____, a _____ ("Assignee").

I.
RECITALS

Assignor, as Seller, and Assignee, as Buyer, entered into that certain Real Estate Purchase and Sale Agreement (the "Agreement") with an Effective Date of _____, 20_____, for the purchase and sale of the real estate commonly known as _____, which is legally described in Schedule 1 attached hereto and incorporated herein (the "Property").

Assignor desires to assign the rights, and Assignee desires to assume, the duties, obligations, and liabilities, of Assignor as landlord under the leases described on Schedule 2 attached hereto and incorporated herein (the "Leases"), to be effective upon the closing of the sale contemplated under the terms of the Agreement.

All capitalized terms used in this Assignment without separate definition shall have the same meanings assigned to them in the Agreement.

NOW, THEREFORE, in consideration of the recitals set forth above, which are made a part of this Assignment, the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Subject to the terms, covenants, conditions, and provisions of the Leases and this Assignment, Assignor hereby transfers, conveys, and assigns to Assignee all of its right, title, and interest as landlord in, to and under the Leases, and the security deposits under the Leases held by Assignor (the "Security Deposits").
 2. Assignee hereby accepts the transfer, conveyance, and assignment of the Leases and Security Deposits from Assignor and, subject to the terms of the Agreement, assumes all rights, duties, obligations, and liabilities of Assignor under the Leases accruing after the Closing (as defined in the Agreement).
 3. Assignor agrees to and hereby does defend, indemnify and hold Assignee harmless from and against any and all losses, claims, demands, suits, expenses (including, without limitation, reasonable attorneys' fees and disbursements and court costs), damages, obligations and liabilities incurred by Assignee, arising or accruing with respect to the Leases
-

and the Security Deposits for the period prior to the Closing Date during Assignor's ownership of the Property.

4. Assignee agrees that, from and after the Closing Date, Assignee shall and does hereby defend, indemnify and hold Assignor harmless from and against any and all losses, claims, demands, suits expenses (including, without limitation, reasonable attorneys' fees and disbursements and court costs), damages, obligations and liabilities incurred by Assignor, caused and arising or accruing with respect to the Leases and Security Deposits.

5. This Assignment shall not merge with or limit or restrict any provision of the Agreement, and the provisions of the Agreement shall govern and control the rights and obligations of Assignor and Assignee with respect to all matters described therein, including, without limitation, representations and warranties, the apportionment of payment obligations, and indemnification obligations.

6. This Assignment shall be binding upon and shall inure to the benefit of Assignor, Assignee, and their respective legal representatives, [heirs], successors, and assigns.

7. This Assignment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the day and year first above written.

ASSIGNOR:

ASSIGNEE:

By: _____
Name: _____
Its: _____

SCHEDULE 1
TO
ASSIGNMENT AND ASSUMPTION OF LEASES

LEGAL DESCRIPTION

SCHEDULE 2
TO
ASSIGNMENT AND ASSUMPTION OF LEASES
LIST OF LEASES

EXHIBIT C
LIST OF ENVIRONMENTAL REPORTS

Property	Reports Provided
Bruckner	Phase I ESA by ATC, dated 4/24/06
Fordham	ACM Survey by Whitestone, dated 6/12/02 Phase I ESA by Whitestone, dated 6/28/02 Supplemental Survey for Asbestos Containing Materials, dated 9/18/03 Phase I ESA by ATC, dated 5/11/06
Jersey City	Phase I ESA by Whitestone, dated 1/10/02 ACM Survey by Whitestone, dated 1/10/02 Preliminary Assessment/Site Investigation Report & Remedial Investigation/Remedial Action Workplan, dated 7/19/02 Remedial Action Report, dated 12/9/02 Limited Phase II Site Investigation by Whitestone, dated 3/8/02 Phase I ESA by LBG, dated 3/05 Property Location Map 3/1/05 (reference LBG report) Site Plan and Surrounding Properties 3/14/05 (reference LBG report)
Lawrence	Phase I ESA by ATC, dated 10/14/05 Phase II Site Investigation by Whitestone, dated 7/13/05 Site Investigation Report by ATC, dated 10/14/05 Letter from Golder Associates Inc to New York State Department of Environmental Conservation, dated November 21, 2007
Long Island City	Phase I ESA by ATC, dated 4/21/06
Linden	ACM Survey by Whitestone, dated 12/20/02 Supplemental Survey for Asbestos Containing Materials, dated 12/20/02 Phase I ESA by Whitestone, dated 1/17/03 Phase I ESA by ATC, dated 2/16/06
New Rochelle	Phase I ESA by ATC, dated 4/24/06
Suffern	Phase I ESA Update by Whitestone, dated 11/30/01 Phase I ESA by LBG, dated 3/05 Property Location Map 3/1/05 (reference LBG report) Site Plan and Surrounding Properties 3/14/05 (reference LBG report)
Webster	ACM Survey by Whitestone, dated 10/7/03 Limited Environmental Site Characterization, dated 12/29/03 Phase I ESA by Whitestone, dated 10/7/03 Phase I ESA by ATC, dated 9/26/05
Yonkers	Phase I ESA by ATC, dated 4/24/06

EXHIBIT D
EXCEPTIONS TO SELLER'S REPRESENTATIONS AND WARRANTIES

**prepared
11/14/07**

Property	Customer/Party Name	Date	Unit #	Complaint/Violation Description
Bruckner	NYC Fire Dept	5/3/2007	-	Remove locks and clear obstructions from roll down gates at exits on Bruckner Blvd & Brown Pl. Terry Lowther, consultant, has a scheduled court date for appeal Dec. 14th, 2007
Bruckner	NYC Environmental Control Board	5/15/2007	-	Sprinkler Control. Terry Lowther, consultant, is appealing
Fordham	West Side Movers	2/23/2007	2171	Contents put into empty unit without lock by Movers; contents disposed of. Received claim for subrogation from Attorney.
Fordham	Jasady Diaz	11/10/2007	1178	Unit had leak. Tenant was not insured and has since vacated
Fordham	Wanda Cook	Aug. 2007	1436	Contents of unit sold at auction. Customers claims letter stating that sale should be stopped was faxed to location. Valerie Fernandez, Regional Manager, is investigating.
Fordham	Jeffery Baez	Sept. 2007	1181	Unit was sold at auction. Tenant's wife is attempting to get her goods back. Valerie Fernandez, Regional Manager, is investigating.
Jersey City	All Inclusive	5/26/2007	1102	Water from sprinkler room came into unit; half of room had water damage
Jersey City	All Inclusive	8/9/2007	1102	Water damage to unit caused by heavy rains
Lawrence	-	-	-	No issues to report
LIC	-	-	-	No issues to report
Linden	-	-	-	No issues to report
New Rochelle	New Rochelle Fire Dept.	10/23/2007	-	Sign above main entrance must be maintained. The switches on the sign should control it. Ballast needs to be repaired
New Rochelle	New Rochelle Fire Dept.	11/8/2007	-	Exit lights must be illuminated
New Rochelle	New Rochelle Fire Dept.	11/8/2007	-	Emergency lights must be illuminated at all times
New Rochelle	New Rochelle Fire Dept.	11/8/2007	-	Failure to maintain standpipe system
Suffern	Diana Fumuso	9/23/2006	1133	Customer claiming mold and mildew damage; working with customer to resolve
Webster	NYC Environmental Control Board	6/20/2007	-	Violation for not having equipment use permit for A/C.
Webster	Edna Blandon	11/11/2007	115	Mouse droppings in unit

EXHIBIT E

CERTIFICATE OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by _____, the undersigned hereby certifies the following on behalf of _____:

1. _____ is a _____ limited liability company and is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. _____'s U.S. employer identification number is _____; and
3. _____'s home office address is _____.

_____ understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of _____.

Dated as of the _____ day of _____, 20_____.

EXHIBIT F

See Schedule 2 to Exhibit B for free rent (difference between Standard Rent and Actual Rent listed on the rent roll)

See attached listing of tenants in arrears.

EXHIBIT G
BILL OF SALE

_____, _____, _____ (“Seller”),
in consideration of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable consideration, to it in hand paid by
_____ (“Buyer”), the receipt and sufficiency of which is hereby acknowledged, sells to Buyer the personal property described
on Schedule 1 attached hereto which is located on the land described on Schedule 2 attached hereto.

SELLER MAKES NO WARRANTIES OR REPRESENTATIONS WHATSOEVER, INCLUDING WITHOUT LIMITATION, WARRANTIES OF
CONDITION, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

IN WITNESS WHEREOF, Seller has executed this instrument as of _____, 20_____ to be effective as of the Closing Date. All
capitalized terms used, but not defined herein, shall have the meanings ascribed to them in that certain Real Estate Purchase and Sale Agreement with an
Effective Date of _____, 20_____, between Seller and Buyer.

SCHEDULE 1
TO
BILL OF SALE
PERSONAL PROPERTY

(TO BE COMPLETED)

SCHEDULE 2
TO
BILL OF SALE
LEGAL DESCRIPTION

EXHIBIT H
SELLER'S CERTIFICATE

THIS CERTIFICATE (this "Certificate") is made as of this _____ day of _____, 20_____, to be effective as of the Closing Date, by _____ ("Seller") in favor of _____ ("Buyer").

RECITALS:

Seller and Buyer entered into that certain Real Estate Purchase and Sale Agreement (the "Agreement") with an Effective Date of _____, 20_____, with respect to the purchase and sale of property commonly known as _____, located at _____ in the City of _____, County of _____, State of _____, described therein, and the Agreement provides that all of the representations and warranties and covenants of Seller in the Agreement shall be reaffirmed by Seller at Closing.

Therefore, Seller hereby certifies to Buyer as follows:

1. As of the date hereof, all of Seller's representations, and warranties set forth in the Agreement, including, but not limited to, those set forth in Section 3.1 of the Agreement, were true, correct, and complete on the date of the Agreement, and remain true, correct, and complete on the date hereof.
2. All capitalized terms used in this Certificate without separate definition shall have the same meanings assigned to them in the Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the duly authorized representative of Seller the day and year first above written.

SELLER:

EXHIBIT I
BUYER'S CERTIFICATE

THIS CERTIFICATE (this "Certificate") is made as of this _____ day of _____, 20_____, to _____, by _____ ("Buyer"), in favor of _____ ("Seller").

RECITALS

Seller and Buyer entered into that certain Real Estate Purchase and Sale Agreement (the "Agreement") with an Effective Date of _____, 20_____, with respect to the purchase and sale of property commonly known as _____, located at _____, in the City of _____, County of _____, State of _____, described therein. The Agreement provides that all of the representations and warranties of Buyer in the Agreement shall be reaffirmed by Buyer at Closing.

Therefore, Buyer hereby certifies to Seller effective as of the Closing Date (as defined in the Agreement) as follows:

1. Buyer hereby reaffirms, as of the date hereof, that all of Buyer's representations, and warranties set forth in the Agreement, including, but not limited to, those set forth in Section 3.3 of the Agreement, were true, correct, and complete on the date of the Agreement, and remain true, correct, and complete on the date hereof, without exception; and
2. All capitalized terms used in this Certificate without separate definition shall have the same meanings assigned to them in the Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the duly authorized representative of Buyer the day and year first above written.

BUYER:

By: _____
Name: _____
Its: _____

EXHIBIT J
INTENTIONALLY DELETED

EXHIBIT K
ASSIGNMENT AND ASSUMPTION
OF
SERVICE CONTRACTS AND OTHER OBLIGATIONS

THIS ASSIGNMENT AND ASSUMPTION (this "Assignment") is executed as of the _____ day of _____, 20_____, to be effective as of the Closing Date, by and between _____ ("Assignor"), and _____, a _____ ("Assignee").

RECITALS

A. Assignor, as Seller, and Assignee, as Buyer, entered into that certain Real Estate Purchase and Sale Agreement (the "Agreement") with an Effective Date of _____, 20_____, for the purchase and sale of the real estate commonly known as _____, which is legally described in Schedule 1 attached hereto and incorporated herein (the "Property").

B. In connection with the conveyance of the Property but subject to the provisions of the Agreement, Assignor desires to assign to Assignee all the service, maintenance and other contracts respecting the use, maintenance, development, sale, or operation of the Property or any portion thereof and all transferable guarantees and warranties for the Property and Assignee desires to accept said assignment and assume certain obligations of Assignor under said contracts upon the terms, covenants, and conditions set forth in this Assignment.

C. All capitalized terms used in this Assignment without separate definition shall have the same meanings assigned to them in the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the recitals set forth above, which are made a part of this Assignment, the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Service Contracts. Assignor hereby assigns, conveys, transfers, and sets over unto Assignee all of Assignor's right, title, and interest in, to and under those certain service, maintenance, and other contracts and concessions respecting the use, maintenance, development, sale, or operation of the Property or any portion thereof, and all transferable guarantees and warranties for the Property, which are set forth on Schedule 2 attached hereto and incorporated herein, together with all amendments, extensions, renewals, and modifications thereto, to the extent assignable (collectively, the "Service Contracts"), together with all rights and privileges and subject to the covenants and conditions therein mentioned, including any

warranties or guaranties with respect to any work performed pursuant to the Service Contracts, to have and to hold the same unto Assignee, its successors and assigns.

2. Assumption of Service Contracts. As of the Closing Date (as defined in the Agreement), Assignee accepts said assignment of the Service Contracts and, subject to the terms of the Agreement, assumes all of Assignor's obligations under the Service Contracts for the balance of the terms thereof following the Closing Date.

3. Indemnification by Assignor. Assignor agrees to and hereby does defend, indemnify and hold Assignee harmless from and against any and all losses, claims, demands, suits, expenses (including, without limitation, reasonable attorneys' fees and disbursements and court costs), damages, obligations and liabilities incurred by Assignee, arising or accruing with respect to the Service Contracts for the period prior to the Closing Date during Assignor's ownership of the Property.

4. Indemnification by Assignee. Assignee agrees that, from and after the Closing Date, Assignee shall and does hereby defend, indemnify and hold Assignor harmless from and against any and all losses, claims, demands, suits expenses (including, without limitation, reasonable attorneys' fees and disbursements and court costs), damages, obligations and liabilities incurred by Assignor, caused and arising or accruing with respect to the Service Contracts.

5. No Merger. This Assignment shall not merge with or limit or restrict any provision of the Agreement, and the provisions of the Agreement shall govern and control the rights and obligations of Assignor and Assignee with respect to all matters described therein, including, without limitation, representations and warranties, the apportionment of payment obligations and indemnification obligations.

6. Binding Effect. This Assignment shall be binding upon and inure to the benefit of the Assignor and Assignee and each of their respective successors and assigns.

7. Counterparts. This Assignment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the day and year first above written.

ASSIGNOR:

ASSIGNEE:

By: _____
Name: _____
Its: _____

SCHEDULE 1
TO
ASSIGNMENT AND ASSUMPTION OF
SERVICE CONTRACTS AND OTHER OBLIGATIONS
LEGAL DESCRIPTION

SCHEDULE 2
TO
ASSIGNMENT AND ASSUMPTION OF
SERVICE CONTRACTS AND OTHER OBLIGATIONS
SERVICE CONTRACTS

- Bronx — Bruckner Boulevard — Western Pest Services, dated July 10, 2006
 - 305 West Fordham Road — Contract for Maintenance with Vanwell Electronics, Inc., dated April 1, 2006
 - 305 West Fordham Road — Contract with Waste Management of New York LLC (DBA Carting Company), dated January 7, 2006
 - 301-305 West Fordham Road — Western Pest Services, dated September 16, 2004
 - 181-203 Broadway, Jersey City, New Jersey — Green Earth Landscaping & Design, Inc., dated November 4, 2004
 - 191 Broadway, Jersey City, New Jersey — Interstate Waste Services of New Jersey, Inc., December 20, 2005
 - Jersey City, Linden and Suffern — Green Earth Landscaping & Design, Inc., dated May 31, 2007
 - Jersey City — Schindler Secure Plus, dated November 10, 2004
 - Jersey City Self Storage — Systems Sales Corporation, dated November 1, 2006
 - Lawrence Self Storage — Casey Systems, dated February 28, 2007
 - 640 Rockaway Turnpike, Lawrence, New York — Empire Property Management, dated November 15, 2006
 - 640 Rockaway Turnpike, Lawrence, New York — Regency Recycling Corp.
 - 640 Rockaway Turnpike, Lawrence, New York — ThyssenKrupp Elevator, dated August 30, 2007
 - 640 Rockaway Turnpike, Lawrence, New York — Western Pest Services, dated November 8, 2006
 - Long Island City — Western Pest Services, July 10, 2006 401 Park Avenue, Linden, NJ — Systems Sales Corporation, dated November 18, 2006
 - Linden Self Storage, LLC — ThyssenKrupp Elevator, dated October 1, 2006
 - Linden Self Storage — Western Pest Services, dated September 20, 2004
 - Linden Self Storage — Winter Services, Inc., dated December 27, 2006
 - Linden Self Storage — Republic Services, Inc., dated October 27, 2004
 - New Rochelle — A.T.N.M. Corp., dated September 1, 2006
 - Suffern, New York — Green Earth Landscaping & Design, Inc., dated November 4, 2004
 - Suffern New York — Green Earth Landscaping & Design, Inc., dated May 8, 2007
 - Suffern New York — Signal Electronics Co, Inc., dated July 30, 2006
 - Webster Self Storage — AFA Protective Systems, Inc.
 - all properties — Day & Nite, dated April 10, 2007
-

EXHIBIT L
Intentionally Deleted

EXHIBIT M
Intentionally Deleted

EXHIBIT N
TENANT NOTICE LETTER

_____, 20_____

Dear Tenant:

This is to advise you that as of _____, 20_____, _____ (“Buyer”) has acquired the Property commonly known as _____ (“Property”) and _____ is now the property manager of the Property. The leasing office address of the Buyer’s property manager is:

All future payments of rent and other charges due under your lease, should be made payable to _____ and delivered to the above-referenced leasing office. Your security deposit, if any, has also been transferred to Buyer and Buyer shall be responsible for its return to you pursuant to the terms of your lease agreement.

Should you have any questions concerning the acquisition of the Property, please call the property manager at _____.

Very truly yours,

SELLER: [OR PROPERTY MANAGER ON BEHALF OF SELLER]

By: _____
Name: _____
Its: _____

BUYER:

By: _____
Name: _____
Its: _____

EXHIBIT O

ASSIGNMENT AND ASSUMPTION OF REAL ESTATE PURCHASE AND SALE AGREEMENT

This ASSIGNMENT AND ASSUMPTION OF REAL ESTATE PURCHASE AND SALE AGREEMENT ("Assignment") is made as of _____, 20____ by and between _____ ("Original Buyer") and _____ ("Assuming Buyer") with respect to the following:

RECITALS

A. Original Buyer and _____ ("Seller") have entered into that certain Real Estate Purchase and Sale Agreement dated as of _____ (the "Agreement"), wherein Seller has agreed to sell to Original Buyer, and Original Buyer has agreed to purchase from Seller, certain real property and improvements located thereon as described in the Agreement ("Property").

B. Original Buyer desires to assign its interest in the Agreement to Assuming Buyer, and Assuming Buyer desires to assume such interest, all as hereinafter provided.

AGREEMENT

In consideration of the foregoing Recitals and the mutual covenants and agreements contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Original Buyer and Assuming Buyer agree as follows:

1. **Assignment of Agreement** Original Buyer hereby assigns to Assuming Buyer all of Original Buyer's right, title and interest in and to the Agreement, and Assuming Buyer hereby accepts such assignment. Assuming Buyer hereby assumes and agrees to perform, and to be bound by, all of the terms, covenants, conditions, and obligations imposed upon or assumed by Original Buyer under the terms of the Agreement.

2. **Joint and Several Liability** Original Buyer shall not be released from any existing obligations under the Agreement as a result of this Assignment, and Assuming Buyer hereby agrees to be jointly and severally liable with Original Buyer for all representations, warranties, indemnities, waivers, releases, and other obligations and undertakings set forth in the Agreement, including, without limitation, the obligations and undertakings set forth in the Sections of the Agreement entitled "Buyer's Reliance on Own Investigations"; "AS-IS Sale," "Buyer Indemnity" and "Release".

3. **Representations and Warranties of Assuming Buyer** Assuming Buyer hereby represents and warrants to Seller that:

(a) Assuming Buyer is directly or indirectly controlled by Original Buyer;

(b) Assuming Buyer, and the individuals signing this Assignment on behalf of Assuming Buyer, have the full, legal power, authority, and right to execute and deliver and to perform their legal obligations under this Assignment. Assuming Buyer's performance hereunder and the transactions contemplated hereby have been duly authorized by all requisite action on the part of Assuming Buyer and no remaining action is required to make this Agreement binding on Assuming Buyer.

(c) Assuming Buyer is not, and shall not become, a person or entity with whom U. S. persons or entities are restricted from doing business with under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and shall not engage in any dealings or transactions or be otherwise associated with such persons or entities.

4. **Miscellaneous**

(a) Entire Agreement. The Agreement, together with this Assignment, embodies the entire understanding between Original Buyer and Assuming Buyer with respect to its subject matter and can be changed only by an instrument in writing signed by Original Buyer and Assuming Buyer and approved in writing by Seller.

(b) Time of Essence. Time is of the essence of each and every term, condition, obligation and provision hereof.

(c) Counterparts. This Assignment may be executed in one or more counterparts, including facsimile counterparts, each of which shall be deemed an original but all of which, taken together, shall constitute the same Assignment.

(d) Applicable Law. This Assignment shall be governed by and construed and enforced in accordance with the laws of the state in which the Property is located without regard to conflicts of law principles.

(e) Capitalized Terms. Capitalized terms used in this Assignment shall have the same meaning as set forth in the Agreement unless otherwise specifically defined herein.

IN WITNESS WHEREOF, this Assignment has been executed as of the day and year second set forth above.

ORIGINAL BUYER:

By: _____
Name: _____
Title: _____

ASSUMING BUYER:

By: _____
Name: _____
Title: _____

Schedule 1

List of Properties
List of Properties and Owners

Owner	Property Location
Linden Self Storage, L.L.C	401 South Park Avenue, Linden, New Jersey (Linden)
Suffern Self Storage, L.L.C.	2 Dunnigan Drive, Montebello, Rockland County, New York (Suffern)
The Storage Company LLC	30-28 Starr Avenue, Long Island City, Queens, New York (LIC)
Webster Self Storage, L.L.C.	4077 Park Avenue, Bronx, New York (Webster)
Jersey City Self Storage, L.L.C.	191 Broadway & Lincoln Highway, Jersey City, New Jersey (Jersey City)
The Storage Company LLC	363 Huguenot Street, New Rochelle, New York (New Rochelle)
The Storage Company LLC	112 Bruckner Boulevard, Bronx, New York (Bruckner)
Bronx Self Storage, LLC	301-305 West Fordham Road, Bronx, New York (Fordham Road)
The Storage Company LLC	131 Saw Mill River Road, Yonkers, New York (Yonkers)
American Storage Properties North LLC	640 Rockaway Turnpike, Lawrence, New York (Lawrence)

Schedule 2

List of Trucks Owned by the Seller

PROPERTY	TRUCK VIN #	PLATE #	
Fordham/Webster	1GDHG31R5X1040197	XC982G	1999 GMC
Linden	1GDHG31R7X1041948	XC983G.	1999 GMC
Suffern	1FDWE35L12HB32989	24962JL	2002 FORD
TSC Truck #1	1FDWE37F1XHA03780	45309JT	1999 FORD 3MC
TSC Truck #2	2B7LB31Z8WK123882	45249JT	1998 DODGE V-35
TSC Truck #3	2B7KB31ZXRK130364	45248JT	1994 DODGE B-35

Schedule 3
Allocation of Purchase Price

property	price
lawrence	19,393,940
yonkers	12,606,060
jersey city	18,424,240
linden	18,424,240
suffern	17,454,550
LIC	22,303,030
new rochelle	15,515,152
fordham road	13,575,758
webster	7,757,575
bruckner	14,545,455
TOTAL `	160,000,000

REAL ESTATE PURCHASE AND SALE AGREEMENT
BETWEEN
American Storage Properties North LLC , as SELLER
AND
Acadia Storage Post Metropolitan Avenue LLC, as BUYER
FOR
4805 Metropolitan Avenue, Unit 2, Maspeth, Queens, New York

REAL ESTATE PURCHASE AND SALE AGREEMENT

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- 16.11 Amendments
- 16.12 Entire Agreement
- 16.13 Tax Free Exchange
- 16.14 Counterparts

RECEIPT BY ESCROWHOLDER

Exhibits

- Exhibit A - Condominium Unit Deed (Schedule 1 — Legal Description)
- Exhibit B - Bill of Sale (Schedule 1 — Personal Property, Schedule 2 — Legal Description)
- Exhibit C-1 - Copy of Construction Contract
- Exhibit C-2 - Copies of all contracts affecting the Property
- Exhibit D - Exceptions to Seller's Representations and Warranties
- Exhibit E - Certificate of Non-Foreign Status
- Exhibit F - Assignment and Assumption of Construction and Development Contracts
- Exhibit G - [Intentionally Deleted]
- Exhibit H - Seller's Certificate
- Exhibit I - Buyer's Certificate
- Exhibit J - Assignment and Assumption of Real Estate Purchase and Sale Agreement

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT (“Agreement”) is made and entered into as of the Effective Date (as defined below) between American Storage Properties North LLC, a Delaware limited liability company, (referred to as “Seller”), and Acadia Storage Post Metropolitan Avenue LLC, a Delaware limited liability company (hereinafter referred to as “Buyer”).

RECITALS

A. Seller is the owner of that certain land located at 4805 Metropolitan Avenue, Unit 2, The 48-05 Metropolitan Avenue Condominium, Maspeth, Queens, New York as more completely described on Schedule 1 attached hereto and made a part hereof.

B. Seller desires to sell the Property to Buyer and Buyer desires to purchase the Property from Seller.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be legally bound hereby, agree as follows:

ARTICLE 1

PURCHASE AND SALE

1.1 Subject to the terms and conditions contained herein, Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, the Property.

ARTICLE 2

BASIC TERMS

2.1 As used herein, the following Basic Terms are hereby defined as follows:

Buyer's Address for Notice

Robert Masters, Esq.
c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Telephone: 914-288-8139
Facsimile: 914-428-3646

With a copy to:

Mr. Marc Slayton
c/o Post Management, LLC
204 West 84th Street, 2nd Floor
New York, New York 10024
Telephone: 212-799-8800
Facsimile: 212-799-8801

**Buyer's Taxpayer
Identification Number**

Closing Date

Closing shall occur on the date that Closing occurs under that certain Real Estate Purchase and Sale Agreement effective as of November 30, 2007 between Suffern Self Storage, L.L.C., Jersey City Self Storage, L.L.C., Linden Self Storage, L.L.C., Webster Self Storage, L.L.C., Bronx Self Storage, L.L.C, American Storage Properties North LLC, and The Storage Company LLC and Acadia Storage Post LLC for the sale of ten (10) storage facilities described in said agreement, as it may be amended from time to time (the "Portfolio Sale Agreement"). If Buyer does not proceed to Closing under the Portfolio Sale Agreement for any reason other than a default by Seller or failure of Seller to satisfy conditions precedent to Closing, Buyer shall either (i) proceed to Closing under this Agreement no later than March 3, 2008 or such earlier date agreed to by Seller and Buyer or (ii) terminate this Agreement and Seller shall be entitled to keep the Earnest Money as liquidated damages. Any extensions of the Closing Date for title issues pursuant to Section 5.2 hereof shall cause the Closing Date of the Portfolio Sale Agreement to be extended for the same amount of time. Likewise, any extensions of the Closing Date for title issues pursuant to Section 5 of the Portfolio Sale Agreement shall cause the Closing Date hereunder to be extended for the same amount of time.

Earnest Money

\$500,000 non-refundable deposit in cash to be held by Escrowholder

Effective Date

The date the last of Buyer or Seller has executed this Agreement

Escrowholder

Lolly Avant
Fidelity National Title Insurance Company
National Title Services
1330 Post Oak Blvd., Suite 2330
Houston, Texas 77056
Office Ph: 713-621-9960
Toll: 800-879-1677
Cell: 281-217-9517
Fax: 713-623-4406
Direct Fax: 713-600-2582

Email: lavant@fnf.com

Involved Seller Representative(s)
**(re: Representations,
Warranties, and Covenants by Seller)**

Tom Spragg and Robin Smith, employees of
Northwestern Investment Management
Company, LLC,
Andrew J. Czekaj, Manager of American
Storage Properties North Investors LLC

Materiality Limit
(re: Casualty and Condemnation)

\$500,000

Property.

Seller's interest in the land described in Schedule 1 to Exhibit A attached hereto, together with all rights, privileges, and easements appurtenant to the land, including all rights, outlots, privileges, easements, and rights of way appurtenant to the land, access to a public way, right, title and interest in and to any land lying in the bed of any street, road or avenue opened or proposed, appurtenant to, abutting or adjoining the Land, to the center line thereof, right, title and interest in and to any award made or to be made in lieu thereof, and in and to any unpaid award for damage to the Land by reason of change of any grade of any street and any land use entitlements, including any certificates of occupancy, special exceptions, variances or site plan approvals or other authorizations issued or granted by any governmental authority (hereinafter referred to as the "Land"), together with a 50% undivided interest in the common elements appurtenant thereto (the "Common Elements") and (i) all agreements, contracts and/or governmental approvals relating to securing all utilities (including, but not limited to, electric, gas, telephone, cable television, public water and sanitary sewer facilities) to the Land (ii) all approvals, licenses permits and contracts for the proposed development of the Land and construction of improvements thereon, (iii) agreements with all vendors relating to the development and construction of improvements on the Land, including, without limitation, any plans and specifications, and agreements and/or contracts for materials and supplied for said development and construction, to the extent assignable (the "Personal Property", together with the Land and Common Elements, the "Property").

Purchase Price

\$10,653,251.63 as of January 31, 2008, with an increase in the Purchase Price per day thereafter in the amount of \$2,082.31 through and including the date of Closing. In the event any additional draws are to be paid prior to Closing for construction costs, Buyer shall be responsible for payment of same either directly or by an increase in the Purchase Price.

Seller's Address for Notice

The Northwestern Mutual Life
Insurance Company
720 East Wisconsin Avenue
Milwaukee, WI 53202
Attn: Nicholas DeFino,
Director — Asset Management
Telephone: 414-665-7315
Fax: 414-625-7315
E-Mail: nickdefino@northwesternmutual.com

with copies to:

The Northwestern Mutual Life
Insurance Company
8444 Westpark Drive, Suite 600
McLean, Virginia 22102
Attn: Robin Smith,
Director — Field Asset Management
Telephone: 703-269-6600
Fax: 703-288-9181
E-Mail:
robingsmith@northwesternmutual.com

and

With copies to:

Stephen J. Garchik
American Storage Properties North Investors, LLC
9001 Congressional Court
Potomac, Maryland 20854
Telephone: 301-299-8616
Fax: 301-365-9154
Email: Garchik@aol.com

and

Andrew J. Czekaj
American Storage Properties North Investors, LLC
560 Herndon Parkway, Suite 210
Herndon, Virginia 20170
Telephone: 703-925-5215
Fax: 703-709-0638
e-mail: Andrew.czekaj@cambridgeus.com

and

Kathleen M. Weinstein, Esq.
Snider & Weinstein PLLC
900 17th Street, N.W., Suite 410
Washington, D.C. 20006
Telephone: 202-293-9400
Fax: 202-293-9401
e-mail:
kathleen.weinstein@sniderweinstein.com

Seller's Brokers

CB Richard Ellis, Inc.
Steve Hrysko
200 Public Square, Suite 2560
Cleveland, OH 44114
Telephone: 216-363-6475

Transwestern Commercial Services
Attn: Gerald Trainor
1667 K Street, N.W., Suite 300
Washington, D.C. 20006
Telephone: 202-775-7091

Title Insurer

First American Title Insurance Company of New York
633 Third Avenue
New York, NY 10017-6706
Attn: Phillip Salomon
Telephone: 212-551-9437
Facsimile: 212-331-1559
E-mail: psalomon@firstam.com

ARTICLE 3

REPRESENTATIONS, WARRANTIES, AND COVENANTS

3.1 Representations, Warranties, and Covenants by Seller. Subject to the limitations set forth in Sections 3.2 and 15.1 hereof, Seller hereby represents and warrants to Buyer that:

- (a) Seller has the full legal power, authority, and right to execute, deliver, and perform its obligations under this Agreement, and Seller's performance hereunder has been duly authorized by all requisite action on the part of Seller, and no remaining corporate action is required to make this Agreement binding on Seller. Seller has duly executed this Agreement and it is binding on and enforceable against Seller.
- (b) Seller has no employees and shall have none as of the Closing Date and there are no employment agreements with Seller which shall be binding on Purchaser after the Closing.
- (c) None of the entities comprising Seller, any person or entity owning (directly or indirectly) a ten percent (10%) or greater ownership interest in any of the entities comprising Seller, nor any guarantor and/or indemnitor of the obligations of Seller hereunder: (i) is now or shall become, a person or entity with whom Buyer is restricted from doing business with under regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including, but not limited to, those names on OFAC's Specially Designated Nationals and Blocked Person list) or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action; (ii) is now or shall become, a person or entity with whom Buyer is restricted from doing business with under the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, or the regulations or orders thereunder; and (iii) is not knowingly engaged in, and shall not engage in, any dealings or transaction, or be otherwise associated with such persons or entities described in (i) and (ii) above.
- (d) Except as set forth on Exhibit D, Seller has not been served in any litigation involving or related to the Property which is currently pending and which would have a material impact on Buyer's ownership or operation of the Property.
- (e) Seller has received no written governmental notice of any actual condemnation of the Property or any part thereof nor, to Seller's Actual Knowledge, has Seller received any written governmental notice of any threatened condemnation of the Property or any part thereof.

- (f) To Seller's Actual Knowledge, and to the actual knowledge of Frederick W. Besette, Esq., Assistant General Counsel for The Northwestern Mutual Life Insurance Company, Seller has not received any written notice from a governmental agency of a violation of any Hazardous Substance Laws. For purposes of this Agreement, the term:
- (i) "Hazardous Substance Laws" means any local, state or federal law or regulation relating to the use or disposition of Hazardous Material, including, without limitation, the Clean Air Act, the Federal Water Pollution Control Act, the Resource Conservation and Recovery Act, the Toxic Substance Control Act, the Safe Drinking Water Control Act, the Federal Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, and the Occupational Safety and Health Act, as the same may be amended from time to time.
- (g) Based upon the Seller's title insurance policy for the Property, Seller owns good and marketable title to the Property, free and clear of all liens and encumbrances except for the Permitted Exceptions and all agreements and contracts entered into in connection with the construction and development of the Property.
- (h) There are no special or other governmental, quasi-governmental, public or private assessments for public improvements or otherwise now affecting the Property (other than those special assessments or typical municipal maintenance and operation of such items as sewer, water, drainage, and the like which appear annually as a part of the real estate tax bills affecting the Property) and (b) to Seller's Actual Knowledge, there are no contemplated improvements affecting the Property that may result in special assessments affecting the Property;
- (i) Seller has not received any notice from the insurance company insuring the Property to correct any deficiencies in the physical condition of the Property.
- (j) Seller has entered into a contract for the construction of the "Contemplated Improvements" as described on Exhibit C-1. Such contract is in full force and effect and neither Seller nor, to the Seller's Actual Knowledge, the General Contractor is in default thereunder.
- (k) Seller has delivered true, correct and complete copies of all contracts it has entered into with respect to the Property which it has listed on Exhibit C-2, all of which, to Seller's Actual Knowledge, are in full force and effect except for those listed on Exhibit C-2.
- (l) Except for this Agreement and any documents relating to the condominium, to Seller's Actual Knowledge, there are no outstanding agreements, options, rights of first offer, rights of first refusal, conditional sales agreements or other agreements

or amendments, regarding the purchase and sale of the Property or the lease or occupancy of any part of the Land.

(m) Seller is current in the payment of all of its Condominium common charges.

Buyer hereby acknowledges that (i) Seller makes no representations or warranties concerning any patents, trademarks, copyrights, or other intellectual property rights and (ii) "Seller's Actual Knowledge," upon which all of the representations and warranties set forth in this Article are based, means only the current actual knowledge of the Involved Seller Representative(s), without conducting any investigations whatsoever, or inquiry or review of files in Seller's possession or control in connection with this transaction or the making of the representations contained in this Article. To Seller's Actual Knowledge, there are no employees of Seller or Northwestern Investment Management Company, LLC, who have information regarding the representations and warranties set forth in this Section which would be superior to that of the Involved Seller Representative(s). Seller shall promptly notify Buyer of any event or circumstance which makes any representation or warranty by Seller in this Agreement untrue. At Closing, as defined in Section 7.7 hereof, Seller shall deliver to Buyer a Seller's Certificate in the form of Exhibit H attached hereto.

The representations of Seller in this Section 3.1 shall survive Closing for nine months.

3.2 No Other Representations and Warranties by Seller. Except as set forth in Section 3.1 hereof and the representations expressly set forth in any documents executed by Seller and to be delivered to Buyer at Closing, Seller makes no other, and specifically negates and disclaims any other representations, warranties, promises, covenants, agreements, or guarantees of any kind or character whatsoever, whether express or implied, oral, or written, past, present, or future, with respect to the Property, including, without limitation: (i) the ownership, management, and operation of the Property; (ii) title to the Property; (iii) the physical condition, nature, or quality of the Property, including, without limitation, the quality of the soils on and under the Property, and the quality of the labor and materials included in the Improvements, fixtures, equipment, or Personal Property comprising a portion of the Property; (iv) the fitness of the Property for any particular purpose; (v) the presence or suspected presence of Hazardous Material on, in, under, or about the Property (including, without limitation, the soils and groundwater on and under the Property); (vi) the compliance of the Property with applicable governmental laws or regulations, including, without limitation, the Americans with Disabilities Act of 1990, environmental laws and laws or regulations dealing with zoning or land use; or (vii) the past or future operating results and value of the Property (which matters described in clauses (i)-(vii) above are hereinafter collectively referred to as "Condition and Quality of the Property"). Except as is expressly set forth in this Agreement to the contrary, Buyer acknowledges that it is not relying upon any representation of any kind or nature made by Sellers or Broker or any of Seller's respective direct or indirect members, partners, officers, directors, employees or agents (collectively, the "Seller Related Parties") with respect to the Property, and that, in fact, no such representations were made except as expressly set forth in this Agreement.

3.3 Representations, Warranties, and Covenants by Buyer. Buyer hereby represents and warrants to Seller that:

- (a) Buyer has the full legal power, authority, and right to execute, deliver, and perform its legal obligations under this Agreement, and Buyer's performance hereunder has been duly authorized by all requisite action on the part of Buyer, and no remaining action is required to make this Agreement binding on Buyer. Buyer has duly executed this Agreement and it is binding on and enforceable against Buyer.
- (b) Buyer shall deliver to Seller, pursuant to the provisions of Subsection 6.3.1 hereof, any and all environmental reports on or concerning the Property that will be prepared by Buyer or on Buyer's behalf.
- (c) All documents and information relating to the Property which are disclosed to or obtained by Buyer during the term of this Agreement ("Property Information") shall be held by Buyer in strict confidence. Buyer shall not disclose Property Information to any third party except (a) to Buyer's partners, directors, officers and employees, investors and/or to its lenders, professional advisors, outside counsel, and employees ("Buyer Parties"), and if so disclosed, then only to the extent necessary to facilitate Buyer's evaluation of the condition of the Property or its financing of the same on a "need-to-know" basis; (b) a required disclosure to any governmental, administrative, or regulatory authority having or asserting jurisdiction over either Buyer, Seller, or the Property; or (c) to any person entitled to receive such information pursuant to a subpoena or other legal process. Notwithstanding the foregoing, Property Information shall not include the following: (i) information which has been or becomes generally available to the public other than as a result of a disclosure by Seller; or (ii) information which was available to Buyer on a non-confidential basis prior to its disclosure to Buyer by Seller. Buyer shall inform all Buyer Parties to whom it has disclosed Property Information of the confidential nature of the same, and Buyer shall be responsible in the event that such Buyer Parties fail to treat such Property Information confidentially.
- (d) Buyer has the financial capacity to perform its obligations under this Agreement.
- (e) Neither Buyer, any person or entity owning (directly or indirectly) a ten percent (10%) or greater ownership interest in Buyer, nor any guarantor and/or indemnitor of the obligations of Buyer hereunder: (i) is now or shall become, a person or entity with whom Seller is restricted from doing business with under regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated Nationals and Blocked

Persons list) or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action; (ii) is now or shall become, a person or entity with whom Seller is restricted from doing business with under the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, or the regulations or orders thereunder; and (iii) is not knowingly engaged in, and shall not engage in, any dealings or transaction, or be otherwise associated with such persons or entities described in (i) and (ii) above.

Buyer shall promptly notify Seller of any event or circumstance which makes any representation or warranty by Buyer under this Agreement untrue. At Closing, Buyer shall deliver to Seller a Buyer's Certificate in the form of Exhibit I attached hereto. The provisions of Subsections 3.3(b) and (c) shall survive the termination of this Agreement indefinitely.

3.4 Buyer's Reliance on Own Investigation; "AS-IS" Sale.

- (a) Buyer agrees and acknowledges that, as of the Closing Date, Buyer shall have made such feasibility studies, investigations, title searches, environmental studies, engineering studies, inquiries of governmental officials, and all other inquiries and investigations as Buyer shall deem necessary to satisfy itself as to the Condition and Quality of the Property.
- (b) Except as represented and warranted by Seller pursuant to the terms and provisions of Section 3.1 hereof, or in any document required to be executed by Seller and delivered to Buyer at Closing, Buyer acknowledges and agrees that, at Closing, Buyer shall buy the Property in its then condition, "AS IS, WHERE IS," with all faults and solely in reliance on Buyer's own investigation, examination, inspection, analysis, and evaluation. Buyer is not relying on any statement or information made or given, directly or indirectly, orally or in writing, express or implied, by Seller, its agents or broker as to any aspect of the Property, including without limitation, the Condition and Quality of the Property (as defined in Section 3.2 hereof), but rather, is and will be relying on independent evaluations by its own personnel or consultants to make a determination as to the physical and economic nature, condition, and prospects of the Property.
- (c) The agreements and acknowledgments contained in this Section 3.4 constitute a conclusive admission that Buyer, as a sophisticated, knowledgeable investor in real property, shall acquire the Property solely upon its own judgment as to any matter germane to the Property or to Buyer's contemplated use or investment in the Property, and not upon any statement, representation or warranty by Seller or any agent or

representative of Seller (including Seller's Broker), which is not expressly set forth in this Agreement.

- (d) Notwithstanding anything in this Agreement to the contrary, as a sophisticated and knowledgeable investor in real property, Buyer is aware that mold, water damage, fungi, bacteria, indoor air pollutants or other biological growth or growth factors (collectively called "Indoor Air Pollutants") may exist at the Property and that such Indoor Air Pollutants may be undiscoverable during routine or invasive inspections, ownership, or operations of the Property. In evaluating its purchase of the Property and determining the Purchase Price, Buyer has taken (or shall take) these matters into account, and Buyer shall assume, at Closing, the risk of all Indoor Air Pollutants, including, without limitation, those resulting from patent or latent construction defects.

The provisions of this Section 3.4 shall survive Closing.

ARTICLE 4

THE TRANSACTION

4.1 Escrow. In order to effectuate the conveyance contemplated by this Agreement, the parties hereto agree to open an escrow account with Escrowholder. A copy of this Agreement shall be delivered to, and receipt thereof shall be acknowledged by, Escrowholder upon full execution hereof by Seller and Buyer.

4.2 Purchase Price. Subject to the provisions hereof, Buyer agrees to pay the Purchase Price for the Property to Seller as follows:

4.2.1 Earnest Money. Simultaneously with full execution of this Agreement, Buyer shall deposit with Escrowholder the Earnest Money in cash or other immediately payable funds. If Buyer fails to timely deposit the Earnest Money with Escrowholder this Agreement shall become null and void.

4.2.2 Retention and Disbursement of Earnest Money. If the transaction contemplated by this Agreement closes in accordance with the terms and conditions of this Agreement, then at Closing the Earnest Money and all interest earned thereon shall be applied against the Purchase Price. In the event of a default by Buyer, the Earnest Money shall be delivered to Seller pursuant to the terms herein and all interest earned thereon shall be paid to Seller. The Earnest Money, if in the form of cash, shall be held in an interest-bearing account at a federally-insured bank in the name of Buyer. Escrowholder shall not disburse any of the Earnest Money except in accordance with (a) this Agreement; (b) written instructions executed by both Buyer and Seller; or (c) as follows:

If Buyer or Seller, by notice to Escrowholder, makes demand upon Escrowholder for the Earnest Money (the "Demanding Party"), Escrowholder shall, at the expense of the

Demanding Party, give notice of such demand (the "Notice of Demand") to the other party (the "Other Party"). If Escrowholder does not receive notice from the Other Party contesting such disbursement of the Earnest Money within five (5) business days from the date on which the Notice of Demand was given, Escrowholder shall disburse the Earnest Money to the Demanding Party. If Escrowholder does receive notice from the Other Party contesting such disbursement of the Earnest Money within five (5) business days from the date on which the Notice of Demand was given, then Escrowholder shall thereafter disburse the Earnest Money only in accordance with written instructions executed by both Buyer and Seller, or if non, then in accordance with a final, non-appealable court order.

Seller and Buyer shall indemnify and hold Escrowholder harmless from all costs and expenses incurred by Escrowholder, including reasonable attorneys' fees, by reason of Escrowholder being a party to this Agreement, except for any costs and expenses (a) incurred by Escrowholder as a result of any failure by Escrowholder to perform its obligations under this Agreement or (b) arising out of the negligence or misconduct of Escrowholder. In the event of any disagreement between Seller and Buyer resulting in adverse claims or demands being made in connection with the Earnest Money, Escrowholder, upon written notice to Seller and Buyer, may commence an interpleader action and deposit the Earnest Money with a court of competent jurisdiction.

4.2.3 Cash at Closing. Buyer shall pay to Seller, by depositing with Escrowholder, in cash or other immediately payable funds, the Purchase Price less the Earnest Money (plus the accrued interest thereon) held by Escrowholder, plus costs to be paid by Buyer pursuant to Section 7.4 hereof, and plus or minus prorations and adjustments shown on the closing statements executed by Buyer and Seller.

4.3 Conveyance by Deed. Subject to the provisions hereof, on the Closing Date Seller shall convey the Property to Buyer by a bargain and deed with covenants against grantor's acts (the "Deed") in the form of Exhibit A attached hereto, subject to those matters set forth therein and a Bill of Sale. If necessary, the form of Deed shall be modified so as to be recordable in the jurisdiction where the Property is located.

ARTICLE 5

TITLE AND SURVEY

5.1 Title Commitment. Buyer shall, as soon as reasonably possible after the Effective Date, cause Title Insurer to deliver to Buyer and Seller, a title commitment (the "Commitment") with respect to the Property, together with a legible copy of each instrument that is listed as an exception in the Commitment, with the cost thereof to be paid in accordance with Section 7.4 hereof. All matters affecting title to the Property and set forth in the Commitment shall be deemed approved by Buyer and shall be deemed to be "Permitted Exceptions."

At Closing, Seller and Marc Slayton shall provide Title Insurer with a Title Affidavit and GAP Indemnity in a form reasonably acceptable to Seller and Title Insurer. Under no circumstances shall Seller be obligated to give Title Insurer any certificate, affidavit, or other undertaking of any sort which would have the effect of increasing the potential liability of Seller

over that which it would have by giving Buyer the Deed required hereunder.

5.2 Subsequent Matters Affecting Title and Survey. If Buyer's survey or the title insurance policy which would otherwise be delivered to Buyer at Closing, reflects as exceptions to the Title Policy, any items other than Permitted Exceptions, such items shall if and only if Buyer shall give written notice thereof to Seller no later than the Closing Date, be deemed "Objectionable Items," and if Buyer shall so give notice to Seller, then:

- (a) the Closing shall be postponed to the first business day which is fifteen (15) days after the Closing Date, or such earlier date as may be mutually agreed to between Buyer and Seller; and
- (b) Seller shall notify Buyer within five (5) days after Seller's receipt of Buyer's notice of Objectionable Items, as to which Objectionable Items Seller is unwilling or unable to cure, in which event Buyer may elect to terminate this Agreement in accordance with Article 14 or proceed to Closing without a reduction in the Purchase Price.
- (c) Notwithstanding (b) above, (i) Seller shall be obligated to remove only those Objectionable Items which were voluntarily caused or permitted by the Seller, (ii) Seller shall obtain a satisfaction and release of or bond over any monetary liens, including, without limitation, any and all mortgages, mechanics liens and judgment liens which are Objectionable Items and (iii) Seller shall be obligated to spend \$75,000 to cure any other Objectionable Items not set forth in the preceding subsections (i) and (ii).

ARTICLE 6

CONDITION OF THE PROPERTY

6.1 Inspections. BUYER HAS BEEN EXPRESSLY ADVISED BY SELLER TO CONDUCT AN INDEPENDENT INVESTIGATION AND INSPECTION OF THE PROPERTY (subject to the provisions hereof), UTILIZING EXPERTS AS BUYER DEEMS NECESSARY. Prior to the Effective Date, Buyer had the right to conduct at its own expense, an inspection of the Property. Buyer hereby confirms that it has approved all aspects of the Property, including title, survey and environmental condition.

6.2 Entry onto Property. Notwithstanding anything contained herein to the contrary, Buyer, its contractors and/or agents, may only enter onto the Property during the term of this Agreement provided Buyer has obtained the prior authorization of Seller, which includes authorization from Marc Slayton, and then only in the company of Seller or its agents, which includes Marc Slayton. Seller shall respond to Buyer's requests for authorization to enter onto the Property within a reasonable period of time, and shall cooperate with Buyer in good faith to make arrangements for Seller or its agents to so accompany Buyer, its contractors and/or agents. Buyer's rights to enter the Property shall be subject to the rights of the tenant(s), including

without limitation, rights of quiet enjoyment, and Buyer agrees that it will not unreasonably interfere with any tenant or contractor on the Property or Seller's operation of the Property.

Upon Buyer's execution of this Agreement and prior to Buyer entering onto the Property, Buyer and/or its agents or contractors shall obtain and keep in full force and effect, insurance as set forth, with Seller listed as certificate holder and naming Seller and its wholly-owned affiliates, subsidiaries, and agents as additional insureds on the Commercial General Liability and Business Automobile insurance policies, and shall provide Seller with certificates of insurance satisfactory to Seller evidencing such insurance.

Type	Limits
Worker's Compensation/Employer's Liability	Statutory/\$500,000
Commercial General Liability	\$1,000,000/occurrence \$2,000,000/aggregate
Business Automobile Liability	\$1,000,000 Combined Single Limit

The aforesaid coverages shall be maintained throughout the term of this Agreement. Furthermore, any coverage written on a "Claims-Made" basis shall be kept in force, either by renewal or the purchase of an extended reporting period, for a minimum period of one (1) year following the Closing or other termination of this Agreement. Such insurance shall be issued by an insurer with an A.M. Best financial strength and size rating of "A-/XV" or better. Nothing herein contained shall in any way limit Buyer's liability under this Agreement or otherwise.

Buyer shall observe, and cause its agents and contractors to observe, all appropriate safety precautions in connection with Buyer's entry onto the Property and cause its agents and contractors not to cause any damage to the Property, injury to any person or to the environment, or interference with any ongoing operations at the Property. Buyer shall indemnify, defend, and hold Seller and its wholly-owned affiliates, subsidiaries, agents, employees, officers, directors, trustees, or other representatives of Seller (collectively, the "Indemnified Parties") harmless from and against any losses, damages, expenses, liabilities, claims, demands, and causes of action (together with any legal fees and other expense incurred by any of the Indemnified Parties in connection therewith), resulting directly or indirectly from, or in connection with, any entry upon the Property by Buyer, or its agents, employees, contractors, or other representatives, including, without limitation, any losses, damages, expenses, liabilities, claims, demands, and causes of action resulting, or alleged to be resulting, from injury or death of persons, or damage to the Property or any other property, or mechanic's or materialmen's liens placed against the Property in connection with Buyer's inspection thereof. Buyer agrees to promptly repair any damage to the Property directly or indirectly caused by any acts of Buyer, or its agents or contractors, and to restore the Property to the condition that existed prior to Buyer's entry. Notwithstanding the foregoing, Buyer shall have no liability or obligation with respect to any adverse condition which existed at the Property prior to Buyer's inspection, except to the extent Buyer's inspection

exacerbates such adverse condition. This Section shall survive Closing or other termination of this Agreement.

6.3 Management of the Property.

A. Prior to the Closing Date, Seller shall, at Seller's sole cost and expense:

1. Promptly deliver to Buyer a copy of any notice issued or received by Involved Seller Representatives (including, without limitation, a notice of default) received under any mortgage or insurance policy and comply with such notice provided same is correct;
2. Promptly deliver notice to the Buyer of all correspondence, actions, suits, claims and other proceedings of which the Involved Seller Representatives have received written notice, affecting the Property, or the use, possession or occupancy thereof received by the Involved Seller Representatives or of any damage or proposed taking or of any violations of any Hazardous Substances Laws of which notice was provided to the Involved Seller Representatives;
3. Promptly deliver copies of notices to Buyer of releases of Hazardous Material received by Involved Seller Representatives or any actual or threatened condemnation of the Property or any portion thereof, which, to Seller's Actual Knowledge, has been given by or on behalf of any federal, state or local agency;
4. Maintain all existing and current licenses, permits and governmental approvals (collectively referred to as the "Permits") in full force and effect and promptly deliver notice to Buyer of any intention of Seller or its affiliates to seek any new Permit as well as copies of any written notices of violations;
5. Maintain the current insurance policies on the Property;
6. Seller agrees to cooperate with Buyer's reasonable requests for documents or information in connection with Buyer's acquisition of the Property (excluding forecasts, budgets and projections), provided there is no additional expense to Seller and that such information is readily available to Seller and that such cooperation does not create any additional financial obligations or liability for the Seller

B. Prior to the Closing Date, Seller shall not and shall cause its affiliates not to:

1. Modify, amend, renew, extend, terminate or otherwise alter any contracts of the Seller or its affiliates affecting the Property, which will remain in effect more than thirty (30) days after Closing, except for change orders relating to construction, which shall not require the consent of Buyer;

C. Buyer shall be notified by Seller promptly if the occurrence of any of the following has occurred to Seller's Actual Knowledge: fire or other casualty causing damage to

the Property, or any portion thereof; receipt of notice of eminent domain proceedings or condemnation of or affecting the Property, or any portion thereof; receipt of notice from any governmental authority or insurance underwriter relating to the condition, use or occupancy of the Property, or any portion thereof, setting forth any requirements with respect thereto receipt of any notice of default from the holder of any lien or security interest in or encumbering the Property, or any portion thereof; notice of any actual litigation against Seller or affecting or relating to the Property, or any portion thereof; or the commencement of any strike, lock-out, boycott or other labor trouble affecting the Property, or any portion thereof.

ARTICLE 7

CLOSING

7.1 Buyer's Conditions Precedent to Closing. The obligations of Buyer with regard to Closing under this Agreement are, at its option, subject to the fulfillment of each and all of the following conditions prior to or at the Closing:

- (a) Seller shall have performed and complied with all the agreements and conditions required in this Agreement to be performed and complied with by Seller prior to Closing; and Buyer and Seller agree that Escrowholder may deem all such items to have been performed and complied with when Seller has deposited all items in Escrow as required hereunder.
- (b) Title Insurer is prepared to issue its ALTA Owner's Policy of Title Insurance in the amount of the Purchase Price showing title vested in Buyer subject only to the Permitted Exceptions and the usual exceptions found in said policy.
- (c) The representations by Seller contained herein shall be true and correct in all material respects as of the Closing Date.
- (d) Seller under the Portfolio Sale Agreement has performed and complied with the agreements and conditions required in the Portfolio Sale Agreement to be performed and complied with by Seller prior to Closing and Seller under the Portfolio Sale Agreement has deposited all items in Escrow as required thereunder unless waived in writing by Buyer.

If any one or more items listed above have not been satisfied as of the Closing Date, Buyer shall have the right to terminate this Agreement pursuant to Article 14 hereof.

7.2 Seller's Conditions Precedent to Closing. The obligations of Seller with regard to Closing under this Agreement are, at Seller's option, subject to the fulfillment of all of the following conditions prior to or at the Closing:

- (a) Buyer shall have performed and complied with all the agreements and conditions required by this Agreement to be performed and complied with

by Buyer prior to Closing; and Buyer and Seller agree that Escrowholder may deem all such items to have been performed and complied with when Buyer has deposited with Escrowholder all items required hereunder.

- (b) The representations by Buyer contained herein shall be true and correct in all material respects as of the Closing Date.
- (c) Buyer under the Portfolio Sale Agreement has performed and complied with the agreements and conditions required in the Portfolio Sale Agreement to be performed and complied with by Buyer prior to Closing and Buyer under the Portfolio Sale Agreement has deposited all items in Escrow as required thereunder unless waived in writing by Seller.

If any one or more items listed above have not been satisfied as of the Closing Date, Seller shall have the right to terminate this Agreement pursuant to Article 14 hereof.

7.3 Deposits in Escrow. On or before the day preceding the Closing Date:

7.3.1 Seller's Deposits. Seller shall deliver to Escrowholder the following to be held in escrow:

- (a) **The Deed** in the form of Exhibit A attached hereto, or in the form required by the jurisdiction in which the Property is located in which the Grantee shall be either Buyer or Buyer's subsidiary at Buyer's option;
- (b) **Certificate of Non-Foreign Status** in the form of Exhibit E attached hereto;
- (c) **Bill of Sale** in the form of Exhibit B attached hereto;
- (d) **Title Affidavits and GAP Indemnity** in the form reasonably acceptable to Seller and Title Insurer;
- (f) **Seller's Certificate** in the form of Exhibit H attached hereto; and
- (g) **Seller's closing instructions** to Escrowholder.
- (h) Originals or certified copies of all drawings, plans and specifications for the construction of the Contemplated Improvements;

7.3.2 Buyer's Deposits. Buyer shall deliver to Escrowholder the following to be held in escrow:

- (a) the balance of the Purchase Price, as provided herein;
- (b) **Buyer's closing instructions** to Escrowholder; and
- (c) **Buyer's Certificate** in the form of **Exhibit I** attached hereto.

7.3.3 Joint Deposits. Buyer and Seller shall jointly deposit with Escrowholder the following documents, each executed by persons or entities duly authorized to execute same on behalf of Buyer and Seller:

- (a) **Closing Statement** prepared by Escrowholder for approval by Buyer and Seller prior to the Closing Date and such closing statements shall be deposited with Escrowholder after the same has been executed by Buyer and Seller.
- (b) **Assignment and Assumption of Development and Construction Contracts** in the form of **Exhibit E**.
- (b) **New York State Combined Real Estate Transfer Tax Return and Credit Line Mortgage Certificate, Form TP-584**
- (c) **New York City Department of Finance Real Property Transfer Tax Return**
- (d) **New York State Real Estate Real Property Transfer Report**
- (e) Written confirmation from the escrowholder under the Portfolio Sale Agreement that all closing deliveries by Seller have been received by said escrowholder

7.3.4 Other Documents. Buyer and Seller shall deposit with Escrowholder all other documents which are required to be deposited in escrow by the terms of this Agreement.

7.4 Costs. Buyer shall pay the cost of (i) a standard ALTA Owner's Title Insurance Policy, and the cost of all endorsements to such owner's policy; (ii) the updated survey; (iii) the realty transfer or stamp taxes on any mortgages or deeds of trust placed on the Property by Buyer at Closing; (iv) recording fees; (v) all other costs and expenses of Buyer relating to the sale and Closing. Seller shall pay the cost of realty transfer or stamp taxes on the recordation of the Deeds. Buyer and Seller shall pay all of the cost of Escrow holder's charge for the escrow, if any. Buyer and Seller shall each pay its own legal fees incurred in connection with the drafting and negotiating of this Agreement and the Closing of the transaction contemplated herein. Buyer shall be responsible for the payment of all unpaid costs incurred in connection with the development and construction of the Property regardless of when incurred and agrees to assume all obligations of Seller under all construction and development-related contracts.

7.5 Prorations. There shall be no prorations at settlement. All unpaid costs

applicable to the development and construction of the Property (including, without limitation, real estate taxes, insurance, soft costs etc.) shall be assumed by Buyer at closing.

7.6 Insurance. The fire, hazard, and other insurance policies relating to the Property shall be canceled by Seller as of the Closing Date and shall not, under any circumstances, be assigned to Buyer. All unearned premiums for fire and any additional hazard insurance premium or other insurance policy premiums with respect to the Property shall be retained by Seller.

7.7 Close of Escrow. As soon as Buyer and Seller have deposited all items required with Escrowholder, and upon satisfaction of Sections 7.1 and 7.2, Escrowholder shall cause the sale and purchase of the Property to be consummated (the "Closing") in accordance with the terms hereof by immediately and in the order specified:

- (a) **Wire Transfer.** Wire transferring the Purchase Price less (i) Seller's Broker's commission (ii) the amount of costs paid by Seller at Closing, and (iii) plus or minus the amount of any prorations pursuant to the terms hereof, all as set forth on the closing statement signed by Seller and Buyer, directly to Seller pursuant to Seller's written closing instructions. If, in the opinion of Escrowholder, the wire transfer cannot be initiated by Escrowholder on or before 2 p.m., Central Time, on the Closing Date, then after Escrowholder obtains Seller's approval upon telephonic consultation with Seller, the Closing shall be consummated on the next business day, but the net sales proceeds shall be invested overnight in federal securities, or in a federally insured bank account, in the name of Escrowholder, and such net sales proceeds plus the interest earned thereon shall be disbursed by Escrowholder the next business day, after which the Deeds shall be recorded. Such delay of the Closing will not release Buyer or Seller from their obligations under this Agreement.
- (b) **Recordation.** Recording the Deeds.
- (c) **Delivery of Other Escrowed Documents.**
 - (i) **Joint Delivery.** Delivering to each of Buyer and Seller at least one executed counterpart of each of the (a) closing statement and (b) all applicable state and county transfer tax returns.
 - (ii) **Buyer's Delivery.** Delivering to Buyer the (a) Certificate of Non-Foreign Status; (b) Certificate of Corporate Authorization; (c) Seller's Certificate; and (d) Title Affidavit and GAP Coverage.
 - (iii) **Seller's Delivery.** Delivering to Seller the (a) Buyer's Certificate, and (b) Assignment and Assumption of Real Estate Purchase Sale Agreement, if applicable.

(d) **Broker's Commission.** Delivering to Seller's Broker, the commission as reflected on the closing statement executed by Seller and Buyer.

7.8 Possession. As of the Closing Date, possession of the Property, along with the following items shall be delivered to Buyer:

(a) **Keys.** Any keys and or key cards to any door or lock on the Property in the possession of Seller.

(d) **Licenses and Permits.** All original licenses or permits or certified copies thereof issued by governmental authorities having jurisdiction over the Property which Seller has in its possession and which are transferable.

7.9 Recorded Instruments. As soon after the Closing as possible, Escrowholder shall deliver to Buyer the original recorded Deed, and shall deliver to Seller a copy of the recorded Deed, with recordation information noted thereon.

ARTICLE 8

CONDEMNATION AND CASUALTY

If any condemnation, loss, damage by fire, or other casualty to the Property occurs prior to the Closing Date, Seller shall give prompt written notice to Buyer.

If any condemnation or taking of the Property, or loss or damage by fire or other casualty to the Property occurs prior to the Closing, which does not exceed the Materiality Limit, the Closing shall occur just as if such condemnation, loss, or damage had not occurred, and Seller shall assign to Buyer all of Seller's interest in any condemnation actions and proceeds, or deliver to Buyer any and all proceeds paid to Seller by Seller's insurer with respect to such fire or other casualty; provided, however, that Seller shall be entitled to retain an amount of such insurance proceeds equal to Seller's reasonable expenses, if any, incurred by Seller in repairing the damage caused by fire or other casualty. At Closing, in the case of a fire or other casualty, Seller shall give Buyer a credit on the Purchase Price equal to the lesser of the estimated cost of restoration or the amount of any deductible, unless Seller has repaired the damage caused by such fire or other casualty. Seller shall maintain its current insurance coverage in place on the Property at all times prior to the Closing.

In the event, prior to the Closing, of any condemnation of all or a part of the Property, or loss or damage by fire or other casualty to the Property, which exceeds the Materiality Limit, at Buyer's sole option, either:

(a) this Agreement shall terminate in accordance with Article 14 hereof if Buyer shall so notify Seller in writing within ten (10) days of Buyer receiving notice from Seller of the casualty or condemnation; or

- (b) if Buyer shall not have timely notified Seller of its election to terminate this Agreement in accordance with paragraph (a) above, the Closing shall occur just as if such condemnation, loss, or damage had not occurred, without reduction in the Purchase Price, and Seller shall assign to Buyer all of Seller's interest in any condemnation actions and proceeds or deliver to Buyer any and all proceeds paid to Seller by Seller's insurer with respect to such fire or other casualty; provided, however, that Seller shall be entitled to retain an amount of such insurance proceeds equal to Seller's reasonable expenses, if any, incurred by Seller in repairing the damage caused by such fire or other casualty. At Closing, in the case of a fire or other casualty, Seller shall give Buyer a credit on the Purchase Price equal to the lesser of the estimated cost of restoration or the amount of the deductible, unless Seller has repaired the damage caused by such fire or other casualty.

Notwithstanding anything contained herein to the contrary, the insurance proceeds to be credited or delivered to Buyer pursuant to this Article will exclude business interruption or rental loss insurance proceeds, if any, allocable to the period through the Closing Date, which proceeds will be retained by Seller. Any condemnation proceeds or business interruption or rental loss insurance proceeds received by Seller and allocable to the period after the Closing Date shall be delivered to Buyer. This provision shall survive Closing.

ARTICLE 9

NOTICES

All notices, requests, demands, and other communications given pursuant to this Agreement shall be in writing and shall be deemed to have been duly delivered, (i) when hand delivered to the addressee; (ii) one (1) business day after having been deposited, properly addressed and prepaid for guaranteed next-business-day delivery with a nationally recognized, overnight courier service (e.g., FedEx, or U.S. Express Mail); or (iii) when received via facsimile transmission as evidenced by a receipt transmission report, provided that a copy is also promptly delivered pursuant to either of the methods set forth in (i) or (ii) immediately above. All such notices, requests, or demands shall be addressed to the party to whom notice is intended to be given at the addresses set forth in Article 2 hereof or to such other address as a party to this Agreement may from time to time designate by notice given to the other party(ies) to this Agreement.

ARTICLE 10

SUCCESSORS AND ASSIGNS

Neither this Agreement nor any interest therein shall be assigned or transferred by Seller. However, Buyer may assign or otherwise transfer all of its interest under this Agreement to an entity or entities directly or indirectly controlled by Buyer ("Assignee") provided that, in such event, (i) Buyer and Assignee shall be jointly and severally liable for all of the representations, warranties, indemnities, waivers, releases and other obligations and undertakings set forth in this

Agreement, and (ii) not less than ten (10) business days prior to the Closing Date, Buyer shall deliver to Seller (a) written notice of such assignment in which the exact nature of Assignee's affiliation with Buyer is set forth, along with the precise signature block to be included in all closing documents; and (b) a copy of an Assignment and Assumption of Real Estate Purchase and Sale Agreement in the form of Exhibit J attached hereto. Subject to the foregoing, this Agreement shall inure to the benefit of, and shall be binding upon, Seller and Buyer and their respective successors and assigns.

ARTICLE 11

BROKERS

Buyer and Seller represent to each other that they have dealt with no broker or other person except Seller's Brokers in connection with the sale of the Property in any manner which might give rise to any claim for commission. Seller agrees to be responsible for payment of Seller's Brokers' fees only, and does not assume any liability with respect to any fee or commission payable to any co-broker or any other party. No broker or person other than Seller's Brokers is entitled to receive any broker's commissions, finder's fees, or similar compensation from Seller in connection with any aspect of the transaction contemplated herein. It is agreed that if any claims for brokerage commissions or fees are ever made against Seller or Buyer in connection with this transaction, all such claims shall be handled and paid by the party whose actions or alleged commitments form the basis of such claim, and said party who is responsible shall indemnify and hold the other party harmless against any claim for brokerage or finder's fees, or other like payment based in any way upon agreements, arrangements, or understandings made or claimed to have been made by Buyer or Seller with any third person. This provision shall survive the Closing or other termination of this Agreement.

ARTICLE 12

COVENANT NOT TO RECORD

Buyer will not record this Agreement or any memorandum or other evidence thereof. Any such recording shall constitute a material default hereunder on the part of Buyer.

ARTICLE 13

DEFAULT

In the event of a default by either Seller or Buyer, the remedies for default provided for in this Article 13 shall constitute the sole and exclusive remedies of the other party.

13.1 Default by Buyer. If Buyer fails to deposit the Earnest Money when required, this Agreement shall automatically terminate and both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. If Buyer fails to consummate the Closing on the Closing Date, this Agreement shall automatically terminate and Seller's sole and exclusive remedy shall be to retain all Earnest

Money (including all interest thereon) as liquidated damages and both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. In the event of any default on the part of Buyer, other than its failure to deposit the Earnest Money when required hereunder or to consummate the Closing on the Closing Date as set forth above, Seller, as Seller's sole and exclusive remedy, shall have the right, following Seller's giving Buyer written notice of such default on Buyer's failure to cure such default within five (5) business days following such notice being given, to terminate this Agreement and retain all Earnest Money (including all interest thereon) as liquidated damages, in which event, both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement. The Earnest Money amount is agreed upon by both parties as liquidated damages, acknowledging the difficulty and inconvenience of ascertaining and measuring actual damages and the uncertainty thereof. Notwithstanding the foregoing, Buyer and Seller agree that nothing contained herein shall limit Seller's right to seek and obtain damages from Buyer due to Buyer defaulting in its obligations hereunder which expressly survive the termination of this Agreement.

13.2 Default by Seller. In the event of default by Seller, Buyer, as Buyer's sole and exclusive remedies, may elect either (i) to terminate this Agreement and receive reimbursement of the Earnest Money (including all interest thereon), in which event both parties shall be released of all further liability hereunder, except for the obligations hereunder which expressly survive the termination of this Agreement or (ii) to file, within thirty (30) days of the Closing Date, an action for specific performance of Seller's express obligations hereunder, without abatement of, credit against, or reduction in the Purchase Price. Neither Escrowholder nor Seller shall be obligated to return the Earnest Money (including all interest thereon) to Buyer unless Buyer gives Seller and Escrowholder written notice terminating all of Buyer's interest in the Property and this Agreement; provided, however, that failure of Buyer to give Seller such notice shall not be construed to expand Buyer's rights or remedies in any manner. Notwithstanding the foregoing, Buyer and Seller agree that nothing contained herein shall limit Buyer's right to seek and obtain damages from Seller due to Seller defaulting in its obligations hereunder which expressly survive the termination of this Agreement.

ARTICLE 14

NON-DEFAULT TERMINATION

In the event of any termination of this Agreement pursuant to a provision expressly stating that the provisions of this Article are applicable, the following provisions shall apply:

- (a) except for those obligations which expressly survive termination of this Agreement, neither Buyer nor Seller shall have any further obligations hereunder; and
- (b) upon satisfaction of all of Buyer's monetary obligations under this Agreement, which shall include Buyer's obligation to restore the Property to the condition that existed prior to Buyer's entry pursuant to Section 6.2 hereof, the Earnest Money (including interest earned thereon) shall be returned to Buyer upon Seller's receipt

of (i) written notice from Buyer expressly acknowledging the termination of all of Buyer's interest in the Property and this Agreement; and (ii) all materials provided to Buyer by Seller or Seller's agents, and any copies made by Buyer or Buyer's agents pursuant to this Agreement; provided, however, that failure of Buyer to give Seller such notice shall not be construed to expand Buyer's rights or remedies in any manner.

ARTICLE 15
INDEMNITIES

15.1 Seller Indemnity.

(a) Effective as of the Closing Date, Seller shall indemnify, defend and hold Buyer harmless from and against any actual, direct damages (and reasonable attorneys' fees and other reasonable legal costs) incurred by Buyer within nine (9) months of the Closing Date ("Limitation Period") resulting from an inaccuracy as of the Closing Date in the representations and warranties of Seller set forth in Section 3.1 hereof, of which inaccuracy Buyer had no knowledge of on or before the Closing Date. Such agreement by Seller to so indemnify, defend and hold Buyer harmless shall be null and void except to the extent that, prior to the expiration of the Limitation Period, Seller shall have received notice from Buyer pursuant to Article 9 hereof referring to this Section and specifying the amount, nature, and facts underlying any claim being made by Buyer hereunder. Seller's liability under this Section 15.1(a) shall be limited to damages, which, in the aggregate (i) exceed Fifty Thousand Dollars (\$50,000.00) and (ii) are less than Two Hundred Fifty Thousand Dollars (\$250,000). In no event shall Seller be liable for consequential, punitive and/or exemplary damages of any nature whatsoever.

(b) Effective as of the Closing Date, Seller shall indemnify, defend and hold Buyer harmless from and against any actual, direct damages (but not for any attorneys' fees and other legal costs incurred by Buyer if Seller or its insurer shall conduct the defense) incurred by Buyer with respect to a claim which (a) is made by a third party alleging a tort committed by Seller or (b) alleges bodily injury or property damage related to the Property and occurring before the Closing Date; provided that such claim does not arise out of or in any way relate to Hazardous Material or Indoor Air Pollutants.

15.2 Buyer Indemnity.

(a) Effective as of the Closing Date, Buyer shall indemnify, defend and hold Seller harmless from and against any actual, direct damages (and reasonable attorneys' fees and other reasonable legal costs) incurred by Seller within nine (9) months of the Closing Date ("Limitation Period") resulting from an inaccuracy as of the Closing Date in the representations and warranties of Buyer set forth in Section 3.3, of which inaccuracy Seller had no knowledge of on or before the Closing Date. Such agreement by Buyer to so indemnify, defend and hold Seller harmless shall be null and void except to the extent that, prior to the expiration of the Limitation Period, Buyer shall have received notice from Seller pursuant to Article 9 referring to this Section and specifying the amount, nature, and facts underlying any claim being made by Seller hereunder. In no event shall Buyer be liable for consequential, punitive and/or exemplary damages of any nature whatsoever. Buyer's liability under this Section 15.2(a) shall be limited to damages which in the aggregate (i) exceed Fifty Thousand Dollars (\$50,000.00) and (ii) are less than Two Hundred Fifty Thousand Dollars (\$250,000).

(b) Effective as of the Closing Date, Buyer shall indemnify, defend and hold Seller harmless from and against any actual, direct damages (but not for any attorneys' fees and other legal costs incurred by Seller if Buyer or its insurer shall conduct the defense) incurred by Seller in connection with or arising out of a claim which (a) is made by a third party alleging a tort committed by Buyer or (b) alleges bodily injury or property damage related to the Property occurring on or after the Closing Date; provided that such claim does not arise out of or in any way relate to Hazardous Material or Indoor Air Pollutants.

15.3 Unknown Environmental Liabilities. Unknown environmental liabilities (as defined below) shall be allocated in accordance with applicable law. As used herein, "Unknown Environmental Liabilities" means future obligations to remediate Hazardous Material contamination located on, or originating from the Property which occurred on or before the Closing Date, but only to the extent (a) neither Seller nor Buyer has notice of such Hazardous Material as of the Closing Date, and (b) remediation or other action with respect to such Hazardous Material is then required by an applicable governmental agency under then current state or federal environmental laws or regulations and also would have been required under state or federal environmental laws or regulations existing as of the Closing Date. Neither Seller nor Buyer shall solicit the involvement of local, state or federal governmental agencies in any of the aforesaid determinations, except only to the extent required by law.

15.4 Release. Except with respect to Seller's indemnification obligations set forth in Section 15.1 hereof and Seller's obligations, if any, under Section 15.3 hereof, Buyer, for itself and any of its designees, successors and assigns, hereby irrevocably and absolutely waives, releases, and forever discharges, and covenants not to file or otherwise pursue any legal action (whether based on contract, statutory rights, common law or otherwise) against the Indemnified Parties with respect to any and all suits, claims, damages, losses, causes of action, and all other expenses and liabilities relating to this Agreement or the Property, whether direct or indirect, known or unknown, contingent or otherwise (including, without limitation, suits, claims,

damages, losses, causes of action, and all other expenses and liabilities relating to environmental law and/or the presence of Hazardous Materials or Indoor Air Pollutants), whether direct or indirect, known or unknown, foreseeable or unforeseeable, and whether relating to any period of time either before or after the Closing Date. In connection with this Section 15.4, Buyer hereby expressly waives the benefits of any provision or principle of federal or state law, or regulation that may limit the scope or effect of the foregoing waiver and release to the extent applicable.

Except with respect to Buyer's indemnification obligations set forth in Section 15.2 hereof and Buyer's obligations, if any, under Section 15.3 hereof, Seller, for itself and any of its designees, successors and assigns, hereby irrevocably and absolutely waives, releases, and forever discharges, and covenants not to file or otherwise pursue any legal action (whether based on contract, statutory rights, common law or otherwise) against the Indemnified Parties with respect to any and all suits, claims, damages, losses, causes of action, and all other expenses and liabilities relating to this Agreement or the Property, whether direct or indirect, known or unknown, contingent or otherwise, whether direct or indirect, known or unknown, foreseeable or unforeseeable, and whether relating to any period of time either before or after the Closing Date. In connection with this Section 15.4, Seller hereby expressly waives the benefits of any provision or principal of federal or state law, or regulation that may limit the scope or effect of the foregoing waiver and release to the extent applicable.

15.5 Survival. All of the provisions of this Article 15 shall survive the Closing.

ARTICLE 16

MISCELLANEOUS

16.1 Survival of Representations, Covenants, and Obligations. Except as otherwise expressly provided herein, no representations, covenants, or obligations contained herein shall survive Closing or termination of this Agreement.

16.2 Attorneys' Fees. In the event of any litigation between the parties hereto concerning this Agreement, the subject matter hereof or the transactions contemplated hereby, the losing party shall pay the reasonable attorneys' fees and costs incurred by the prevailing party in connection with such litigation, including appeals.

16.3 Publicity. Buyer and Seller agree to treat this transaction as strictly confidential prior to Closing. Without limiting the foregoing, neither party will make any public announcement of the transactions contemplated herein, and will not directly or indirectly contact the Property's vendors or contractors until after Closing occurs. Neither party will publicly advertise or announce the sale of the Property, except by mutual written consent, until after the Closing Date. In no event will either party advertise or announce the terms of this Agreement, except by mutual written consent.

16.4 Captions. The headings or captions in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

16.5 Waiver. No waiver by any party of any breach hereunder shall be deemed a waiver of any other or subsequent breach.

16.6 Time. Time is of the essence with regard to each provision of this Agreement, including, without limitation, the Closing Date. If the final date of any period provided for herein for the performance of an obligation or for the taking of any action falls on a Saturday, Sunday, or national/banking holiday, then the time of that period shall be deemed extended to the next day which is not a Saturday, Sunday, or national/banking holiday. If the Closing Date provided for herein should fall on a Friday, Saturday, Sunday, or national/banking holiday, then the Closing Date shall be deemed extended to the next day which is not a Friday, Saturday, Sunday, or banking holiday. Each and every day described herein shall be deemed to end at 5:00 p.m. Central Time.

16.7 Controlling Law. This Agreement shall be construed in accordance with the laws of the state of New York (without regard to principles of conflicts of law).

16.8 Severability. If any one or more of the provisions of this Agreement shall be determined to be void or unenforceable by a court of competent jurisdiction or by law, such determination will not render this Agreement invalid or unenforceable, and the remaining provisions hereof shall remain in full force and effect.

16.9 Construction. Buyer and Seller agree that each party and its counsel have reviewed, and if necessary, revised this Agreement, and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, exhibits, or schedules hereto.

16.10 Execution. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed an original, but such counterparts together shall constitute but one agreement.

16.11 Amendments. This Agreement may be modified, supplemented, or amended only by a written instrument executed by Buyer and Seller.

16.12 Entire Agreement. This Agreement constitutes the entire and complete agreement between the parties relating to the transactions contemplated hereby, and all prior or contemporaneous agreements, understandings, representations, warranties, and statements, oral or written, are merged herein. No representation, warranty, covenant, agreement, or condition not expressed in this Agreement shall be binding upon the parties hereto or shall affect or be effective to interpret, change, or restrict the provisions of this Agreement.

16.13 Tax Free Exchange. Notwithstanding anything to the contrary contained in this Agreement, Seller and Buyer acknowledge that Seller shall have the right at Closing to exchange the Property in a transaction intended to qualify as a tax free exchange under Section 1031 of the Code (a "Tax Free Exchange"). If Seller elects to effect a Tax Free Exchange pursuant to this Section 16.13, Seller shall provide written notice to Buyer prior to Closing, in which case Buyer shall enter into an exchange agreement and other exchange documents with a "qualified intermediary" (as defined in Treas. Reg. §1.103(k)-1(g)(4) of the Code) (the "Exchange Party"), pursuant to which Seller shall execute and deliver such documents as maybe required to complete the transactions contemplated by the Tax Free Exchange which are in form and substance reasonably acceptable to Buyer, and otherwise cooperate with Seller in all reasonable respects to effect the Tax Free Exchange. In no event shall Seller's consummate of a Tax Free Exchange be a condition to Closing or delay or postpone the Closing. Seller shall indemnify, defend and hold Buyers harmless from and against any and all losses that may be incurred by Buyer in connection with Seller's use of the transaction as a Tax Free Exchange. The provisions of this Section 16.13 shall survive the Closing or earlier termination of this Agreement.

16.14 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original document, but all of which counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed as of the Effective Date.

SELLER:

American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czepak, Manager

BUYER:

Acadia Storage Post Metropolitan Avenue LLC

By: _____
Name:
Title:

RECEIPT BY ESCROWHOLDER

Fidelity National Title Insurance Company shall serve as Escrowholder pursuant to the terms and provisions of that certain Real Estate Purchase and Sale Agreement between American Storage Properties North LLC and Acadia Storage Post Metropolitan Avenue LLC (the "Agreement"), and hereby acknowledges receipt of a fully executed copy of the Agreement and the Earnest Money referred to therein in the sum of _____. Fidelity National Title Insurance Company agrees to accept, hold, apply, and/or return such Earnest Money, and disburse any funds received pursuant to the provisions of the Agreement, and otherwise comply with the obligations of Escrowholder as set forth in the Agreement.

Fidelity National Title Insurance Company

By: _____

Name: _____

Its: _____

Date of receipt: _____

EXHIBIT A

CONDOMINIUM UNIT DEED

THIS INDENTURE, made as of the ____ day of _____, 2008, by and between American Storage Properties North LLC, a Delaware limited liability company, having an address at 9001 Congressional Court, Potomac, Maryland 20854 (hereinafter referred to as the "Grantor") and Acadia Realty Trust, with an address at _____ (hereinafter referred to as the "Grantee")

WITNESSETH:

That the Grantor, in consideration of Ten (\$10.00) Dollars and other valuable consideration paid by the Grantee, does hereby grant and release unto the Grantee, the heirs or successors and assigns of the Grantee, forever:

ALL OF THE PROPERTY DESCRIBED IN "SCHEDULE A" ANNEXED HERETO,
KNOWN AS CONDOMINIUM UNIT 2,
THE 48-05 METROPOLITAN AVENUE CONDOMINIUM,
RIDGWOOD, NEW YORK, TAX BLOCK 2611, LOT 1002
WHICH IS ALSO KNOWN BY THE STREET ADDRESS
48-05 METROPOLITAN AVENUE, RIDGWOOD NEW YORK

Together with the appurtenances and all the estate and rights of the Grantor in and to the Unit;

Together with, and subject to the rights, obligations, easements, restrictions, agreements and other provisions set forth in the Declaration and the By-Laws of THE 48-05 METROPOLITAN AVENUE CONDOMINIUM, as the same may be amended from time to time (hereinafter referred to as the "By-Laws"), all of which shall constitute the covenants running with the Land and shall bind any person having at any time any interest or estate in the Unit as though recited and stipulated at length herein;

Subject also to such other liens, agreements, covenants, easements, restrictions, consents and other matters of record and any agreements as pertain to the Unit, to the Land and or any improvements thereon (which is collectively referred to as the "Property").

TO HAVE AND TO HOLD the same unto Grantee, and the heirs or successors or assigns of the Grantee, forever.

If any provision of the Declaration or By Laws is invalid under, or would cause the Declaration or the By-Laws to be insufficient to submit the Property to, the provision of the Condominium Act, or if any provision that is necessary to cause the Declaration and the By-laws to be sufficient to submit the Property to the provisions of the Condominium Act is missing from the Declaration or the By-Laws, or if the By-Laws are insufficient to submit the Property to the

provisions of the Condominium Act, the applicable provision of Article 17 of the Declaration shall control.

The Grantor, in compliance with Section 13 of the Lien Law of the State of New York, covenants that the Grantor will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund for the purpose of paying the cost of improvements at the Property and will apply the same first to the payment of the cost of such improvements before using any part of the same for any other purposes.

The Grantee accepts and ratifies the provisions of the Declaration and the By-Laws (and any Rules and Regulations adopted under the By-laws) and agrees to comply with all the terms and provisions thereof.

The Grantee has examined the Unit and is purchasing the same in its existing condition.

Grantor hereby covenants with Grantee, its heirs, successors, and assigns, to forever WARRANT AND DEFEND the same against the lawful claims and demands of all persons claiming by, through or under Grantor, but against none other.

IN WITNESS WHEREOF, this deed has been executed as of the day and year first written above.

GRANTOR:

TO BE INSERTED IN DEED:

Terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in that certain Declaration recorded in the Queens County Office of the Register of the City of New York on 12/26/2001 in Reel 6143, Page 2230 with respect to the 48-05 Metropolitan Avenue Condominium (such Declaration, together with any amendments thereto recorded prior to the date hereof, is hereinafter referred to as the "Declaration").

Unit: Seller agrees to sell and convey, and purchaser agrees to purchase Unit No. 2 in the premises known as 48-05 Metropolitan Avenue, Ridgewood, New York and designated as the building shown on the floor plans attached hereto as Exhibit A and marked with the letter "Z" at the 48-05 Metropolitan Avenue Condominium (the "Condominium"), together with an undivided 50% percent interest in the Common Elements appurtenant to such Unit (the "Unit"), as designated in the Declaration or the By-laws (as same may be amended from time to time), all upon and subject to the terms and conditions set forth herein.

STATE OF WISCONSIN)
) SS.
COUNTY OF MILWAUKEE)

On this ___ day of _____, 20___, before me appeared _____ and _____ who are personally to me known and known to me to be a _____ and Assistant Secretary of Northwestern Investment Management Company, LLC, and to be the same persons who, as such officers, executed the foregoing instrument of writing in the name of said limited liability company and duly and severally acknowledged the execution thereof as the free act and deed of said limited liability company as an authorized representative of The Northwestern Mutual Life Insurance Company.

And then and there the said _____ and _____, being by me first duly sworn, did say, each for himself/herself, that the said _____ is _____ and the said _____ is Assistant Secretary of Northwestern Investment Management Company, LLC, that the seal affixed to the foregoing instrument is the corporate seal of The Northwestern Mutual Life Insurance Company and that said instrument was signed and sealed in its behalf.

Notary Public, State of Wisconsin
My Commission expires: _____

This instrument was prepared by _____.

SCHEDULE 1
TO
SPECIAL WARRANTY DEED
LEGAL DESCRIPTION

EXHIBIT B
BILL OF SALE

_____, _____, _____ (“Seller”), in consideration of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable consideration, to it in hand paid by _____ (“Buyer”), the receipt and sufficiency of which is hereby acknowledged, sells to Buyer the personal property described on Schedule 1 attached hereto which is located on the land described on Schedule 2 attached hereto.

SELLER MAKES NO WARRANTIES OR REPRESENTATIONS WHATSOEVER, INCLUDING WITHOUT LIMITATION, WARRANTIES OF CONDITION, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

IN WITNESS WHEREOF, Seller has executed this instrument as of _____, 20__ to be effective as of the Closing Date. All capitalized terms used, but not defined herein, shall have the meanings ascribed to them in that certain Real Estate Purchase and Sale Agreement with an Effective Date of _____, 20__, between Seller and Buyer.

SCHEDULE 1
TO
BILL OF SALE
PERSONAL PROPERTY
None

SCHEDULE 2
TO
BILL OF SALE
Legal Description

EXHIBIT C-1
Copy of Construction Contract

Exhibit C-2

Copy of all contracts affecting the Property

EXHIBIT D
EXCEPTIONS TO SELLER'S REPRESENTATIONS AND WARRANTIES

EXHIBIT E

CERTIFICATE OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by _____, the undersigned hereby certifies the following on behalf of _____:

1. _____ is a _____ limited liability company and is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. _____'s U.S. employer identification number is _____; and
3. _____'s home office address is _____.

_____ understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of _____.

Dated as of the ___ day of _____, 20__.

EXHIBIT F

ASSIGNMENT AND ASSUMPTION OF CONSTRUCTION AND DEVELOPMENT
CONTRACTS

ASSIGNMENT AND ASSUMPTION OF CONSTRUCTION CONTRACTS

KNOW ALL MEN BY THESE PRESENTS, THAT American Storage Properties North LLC, a Delaware limited liability company ("Assignor"), in consideration of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid, the receipt and sufficiency of which is hereby acknowledged, hereby assigns unto _____ ("Assignee"):

ALL of Assignor's right, title and interest in and to (i) any and all contracts and agreements which relate to the development and construction of the Ridgewood storage facility (the "Property") located on the land described on Exhibit A attached hereto and made a part hereof (the "Contracts") and (ii) any warranties, guaranties and certifications in connection with the development or construction of the improvements on the Property and as to which Assignor is the beneficiary (the "Assigned Assets")

TO HAVE AND TO HOLD the Assigned Assets unto Assignee, its successors and assigns from and after the date of execution and delivery hereof (the "Delivery Date") for all the rest of the respective terms, if any, mentioned in the Assigned Assets, subject to the covenants, conditions and provisions of such Assigned Assets.

Assignee hereby assumes all of the duties or obligations to the Contracts from and after the ___ day of _____, 2008 (the "Assignment Effective Date").

Assignee hereby agrees to indemnify and hold Assignor harmless from all loss, cost, damage and expense (including without limitation, reasonable attorney's fees) arising as a result of the breach by Assignee, on or after the Delivery Date, of any obligation or covenant under the Contracts.

Assignor hereby agrees to indemnify and hold Assignee harmless from all loss, cost, damage and expense (including without limitation, reasonable attorney's fees) arising as a result of the breach by Assignor, prior to the Delivery Date, of any obligations or covenant under the Contracts.

IN WITNESS WHEREOF, this Assignment and Assumption of Construction Contracts has been duly signed and sealed by the parties hereto, in multiple counterpart copies, as of the ___ day of _____, 2008.

ASSIGNOR:

ASSIGNEES:

ACKNOWLEDGEMENT AND CONSENT BY CONTRACTOR

The undersigned, _____ (“Contractor”), hereby acknowledges consents and/or agrees as follows:

1. Contractor acknowledges that _____ (“Original Owner”) intends to, effective as of the ___ day of ___, 2008 (the “Assignment Effective Date”) assign, transfer and set over, or has assigned, transferred and set over unto _____ (“New Owner”) all of Original Owner’s right, title and interest in and to, and all of its duties and obligations, if any, under those certain contracts, agreements, certificates, warranties and other documents identified on Exhibit A attached hereto and incorporated herein by this reference (the “Assigned Agreements”).

2. Contractor consents to the foregoing assignment(s).

3. Contractor agrees that, from and after the Assignment Effective Date, New Owner shall be entitled to all of the rights and benefits under the Assigned Agreements enjoyed by Original Owner thereunder prior to such assignment and that Contractor agrees that from and after the Assignment Effective Date, New Owner shall be liable for and responsible for all duties and obligations under the Assigned Agreements and that Original Owner is, from and after the date hereof, released from any and all duties and obligations under the Assigned Agreements..

We need estoppel language including amounts to be paid and amounts paid.

Dated:

CONTRACTOR:

EXHIBIT G
Intentionally Deleted

EXHIBIT H
SELLER'S CERTIFICATE

THIS CERTIFICATE (this "Certificate") is made as of this ___ day of _____, 20___, to be effective as of the Closing Date, by _____ ("Seller") in favor of _____ ("Buyer").

RECITALS:

Seller and Buyer entered into that certain Real Estate Purchase and Sale Agreement (the "Agreement") with an Effective Date of _____, 20___, with respect to the purchase and sale of property commonly known as _____, located at _____ in the City of _____, County of _____, State of _____, described therein, and the Agreement provides that all of the representations and warranties and covenants of Seller in the Agreement shall be reaffirmed by Seller at Closing.

Therefore, Seller hereby certifies to Buyer as follows:

1. As of the date hereof, Seller's representations and warranties set forth in the Agreement, including, but not limited to, those set forth in Section 3.1 of the Agreement, remain true, correct, and complete in all material respects. To the extent the representations and warranties of Seller in the Agreement were qualified to Seller's Actual Knowledge in the Agreement, this reaffirmation of such representations and warranties is also qualified to Seller's Actual Knowledge.
2. All capitalized terms used in this Certificate without separate definition shall have the same meanings assigned to them in the Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the duly authorized representative of Seller the day and year first above written.

SELLER:

EXHIBIT I
BUYER'S CERTIFICATE

THIS CERTIFICATE (this "Certificate") is made as of this ____ day of _____, 20____, to _____, by _____ ("Buyer"), in favor of _____ ("Seller").

RECITALS

Seller and Buyer entered into that certain Real Estate Purchase and Sale Agreement (the "Agreement") with an Effective Date of _____, 20____, with respect to the purchase and sale of property commonly known as _____, located at _____, in the City of _____, County of _____, State of _____, described therein. The Agreement provides that all of the representations and warranties of Buyer in the Agreement shall be reaffirmed by Buyer at Closing.

Therefore, Buyer hereby certifies to Seller effective as of the Closing Date (as defined in the Agreement) as follows:

1. Buyer hereby reaffirms as of the date hereof, Seller's representations and warranties set forth in the Agreement, including, but not limited to, those set forth in Section 3.3 of the Agreement, remain true, correct, and complete in all material respects.
2. All capitalized terms used in this Certificate without separate definition shall have the same meanings assigned to them in the Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the duly authorized representative of Buyer the day and year first above written.

BUYER:

By: _____
Name: _____
Its: _____

EXHIBIT J

ASSIGNMENT AND ASSUMPTION OF REAL ESTATE PURCHASE AND SALE
AGREEMENT

This ASSIGNMENT AND ASSUMPTION OF REAL ESTATE PURCHASE AND SALE AGREEMENT ("Assignment") is made as of _____, 20__ by and between _____ ("Original Buyer") and _____ ("Assuming Buyer") with respect to the following:

RECITALS

A. Original Buyer and _____ ("Sell er") have entered into that certain Real Estate Purchase and Sale Agreement dated as of _____ (the "Agreement"), wherein Seller has agreed to sell to Original Buyer, and Original Buyer has agreed to purchase from Seller, certain real property and improvements located thereon as described in the Agreement ("Property").

B. Original Buyer desires to assign its interest in the Agreement to Assuming Buyer, and Assuming Buyer desires to assume such interest, all as hereinafter provided.

AGREEMENT

In consideration of the foregoing Recitals and the mutual covenants and agreements contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Original Buyer and Assuming Buyer agree as follows:

1. **Assignment of Agreement** Original Buyer hereby assigns to Assuming Buyer all of Original Buyer's right, title and interest in and to the Agreement, and Assuming Buyer hereby accepts such assignment. Assuming Buyer hereby assumes and agrees to perform, and to be bound by, all of the terms, covenants, conditions, and obligations imposed upon or assumed by Original Buyer under the terms of the Agreement.

2. **Joint and Several Liability** Original Buyer shall not be released from any existing obligations under the Agreement as a result of this Assignment, and Assuming Buyer hereby agrees to be jointly and severally liable with Original Buyer for all representations, warranties, indemnities, waivers, releases, and other obligations and undertakings set forth in the Agreement, including, without limitation, the obligations and undertakings set forth in the Sections of the Agreement entitled "Buyer's Reliance on Own Investigations," "AS-IS Sale," "Buyer Indemnity" and "Release".

3. **Representations and Warranties of Assuming Buyer** Assuming Buyer hereby represents and warrants to Seller that:

(a) Assuming Buyer is directly or indirectly controlled by Original Buyer;

(b) Assuming Buyer, and the individuals signing this Assignment on behalf of Assuming Buyer, have the full, legal power, authority, and right to execute and deliver and to perform their legal obligations under this Assignment. Assuming Buyer's performance hereunder and the transactions contemplated hereby have been duly authorized by all requisite action on the part of Assuming Buyer and no remaining action is required to make this Agreement binding on Assuming Buyer.

(c) Assuming Buyer is not, and shall not become, a person or entity with whom U. S. persons or entities are restricted from doing business with under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and shall not engage in any dealings or transactions or be otherwise associated with such persons or entities.

4. Miscellaneous

(a) Entire Agreement. The Agreement, together with this Assignment, embodies the entire understanding between Original Buyer and Assuming Buyer with respect to its subject matter and can be changed only by an instrument in writing signed by Original Buyer and Assuming Buyer and approved in writing by Seller.

(b) Time of Essence. Time is of the essence of each and every term, condition, obligation and provision hereof.

(c) Counterparts. This Assignment may be executed in one or more counterparts, including facsimile counterparts, each of which shall be deemed an original but all of which, taken together, shall constitute the same Assignment.

(d) Applicable Law. This Assignment shall be governed by and construed and enforced in accordance with the laws of the state in which the Property is located without regard to conflicts of law principles.

(e) Capitalized Terms. Capitalized terms used in this Assignment shall have the same meaning as set forth in the Agreement unless otherwise specifically defined herein.

IN WITNESS WHEREOF, this Assignment has been executed as of the day and year second set forth above.

ORIGINAL BUYER:

By: _____
Name: _____
Title: _____

ASSUMING BUYER:

By: _____
Name: _____
Title: _____

First Amendment to Real Estate Purchase and Sale Agreement

THIS FIRST AMENDMENT TO REAL ESTATE PURCHASE AND SALE AGREEMENT (the "Amendment") is made and entered into this 1st day of February, 2008 by and between Suffern Self Storage, L.L.C., Jersey City Self Storage, L.L.C., Linden Self Storage, L.L.C., Webster Self Storage, L.L.C., Bronx Self Storage, L.L.C., American Storage Properties North LLC and The Storage Company LLC (collectively, "Seller"), and Acadia Storage Post LLC ("Buyer")

RECITALS

A. Seller and Buyer entered into that certain Real Estate Purchase and Sale Agreement, dated as of November 30, 2007, regarding the sale of certain real property and storage facilities located in New York and New Jersey (the "Agreement").

B. Seller and Buyer now desire to amend the Agreement, as described more fully below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending legally to be bound, hereby covenant and agree as follows:

1. **Recitals; Defined Terms.** The foregoing Recitals are hereby incorporated by this reference and made a substantive part hereof. Any capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

2. **Amendment.**

(a) The Buyer hereby elects to extend the Closing Date. Accordingly, the definition of Closing Date pursuant to Section 2.1 of the Agreement is hereby amended by deleting only the first paragraph of the definition and inserting the following in lieu thereof:

"Closing Date. On or before March 3, 2008; provided, however, prior written notice of the date Buyer elects to proceed to Closing hereunder shall be provided three (3) business days prior to the Closing. Closing hereunder shall occur simultaneously with the Closing under that certain Real Estate Purchase and Sale Agreement between American Storage Properties North LLC and Acadia Storage Post Metropolitan Avenue, LLC regarding 4805 Metropolitan Avenue, Unit 2, Maspeth, Queens, New York, dated as of the date hereof (the "Ridgewood Agreement"). Any extensions of the Closing

Date for title issues under Section 5 of this Agreement shall cause the Closing Date of the Ridgewood Agreement to be extended for the same amount of time. Likewise, any extensions of the Closing Date for title issues pursuant to Section 5.2 of the Ridgewood Agreement shall cause the Closing Date hereunder to be extended for the same amount of time.”

(b) Notwithstanding anything to the contrary in the Agreement, no later than Monday, February 4, 2008 Buyer shall wire in immediately available funds to Seller in accordance with the wire instructions attached hereto as Exhibit A, a payment in the amount of Five Hundred Thousand Dollars (\$500,000)(the “Extension Payment”). Failure of Buyer to timely deposit the Extension Payment with Seller shall be a default by Buyer under this Agreement. This Extension Payment shall be non-refundable to Buyer except as expressly set forth in the following sentences. If Closing occurs under this Agreement and the Ridgewood Agreement, the Extension Payment will be added to the Purchase Price; provided, however, that for each day prior to March 3, 2008 that Closing actually occurs, the Purchase Price shall be reduced by an amount equal to \$16,129.00 per diem (the “Early Closing Reduction”). Notwithstanding the foregoing, in the event Buyer fails to close under the Ridgewood Agreement for any reason other than a default by Seller or failure of Seller to satisfy conditions precedent to Closing set forth in Section 7.1 of the Ridgewood Agreement, there will be no Early Closing Reduction hereunder. The Purchase Price allocable to the Lawrence Property, which is owned by American Storage Properties North LLC, shall be increased by the amount of the Extension Payment less the Early Closing Reduction, if any. For purposes of clarity, Seller shall have no obligation to return the Extension Payment to Buyer if Buyer terminates the Agreement prior to Closing or if Buyer defaults under the Agreement. In the event of a default by Seller hereunder, if Buyer elects to terminate this Agreement and receive reimbursement of the Earnest Money pursuant to the terms of Section 13.2 hereof, Buyer shall also receive reimbursement of the Extension Payment.

(c) The Seller and Buyer hereby confirm that Buyer desires to acquire the Storage Facilities in newly-created entities as hereinafter designated:

<u>Name of Property</u>	<u>Entity to Acquire the Property</u>
Bruckner	Acadia Storage Company LLC
Fordham	Acadia Storage Post Portfolio Company LLC
Jersey City	Acadia Storage Post Portfolio Company LLC
Lawrence	Acadia Storage Post Portfolio Company LLC
Linden	Acadia Storage Post Portfolio Company LLC
Long Island City	Acadia Storage Company LLC
New Rochelle	Acadia Storage Company LLC
Suffern	Acadia Suffern LLC
Webster	Acadia Storage Post Portfolio Company LLC
Yonkers	Acadia Storage Company LLC

3. **Binding Effect**. This Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

4. **Conflicts**. In the event any provision of this Amendment conflicts with a provision of the Contract, such provision of this Amendment shall govern and control for all purposes and in all respects.

5. **Ratification**. Except as modified hereby, the Agreement is hereby ratified and confirmed for all purposes and in all respects.

6. **Counterparts**. This Amendment may be executed in multiple counterpart copies, all of which constitute a single document, and may be delivered by facsimile transmission.

∟

[Signatures appear on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Purchase and Sale Agreement as of the date first above written.

SELLER:

Suffern Self Storage, L.L.C., a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
A Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

By: Suffern Manager, LLC, a Delaware limited liability company,
A member

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____,
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Jersey City Self Storage, L.L.C.,
a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____,
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Bronx Self Storage, L.L.C.,
a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Linden Self Storage, L.L.C.,
A New Jersey limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

Webster Self Storage, L.L.C., a
Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

The Storage Company LLC,
a Delaware limited liability company

By: American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

American Storage Properties North LLC,
a Delaware limited liability company,

By: The Northwestern Mutual Life Insurance Company,
a Wisconsin corporation, a member

By: Northwestern Investment Management Company, LLC,
a Delaware limited liability company, its wholly-owned
affiliate and authorized representative

By: _____
_____, Managing Director

And

By: American Storage Properties North Investors LLC, a
Delaware limited liability company, a member

By: _____
Stephen J. Garchik, Manager

By: _____
Andrew J. Czekaj, Manager

BUYER:

Acadia Storage Post LLC,
a Delaware limited liability company

By: _____

Name:

Title:

Exhibit A

Wire Instructions for:

**THE STORAGE COMPANY
MASTER ACCOUNT**

BANK: BANK OF AMERICA
301 Carnegie Center
Princeton, NJ 08540

ABA #:
ACCOUNT #:

CREDIT: The Storage Company
Master Account

NOTIFY: Kristina Fisher

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a — 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein

President and Chief Executive Officer

May 8, 2008

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a — 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Michael Nelsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and
Chief Financial Officer
May 8, 2008

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Acadia Realty Trust (the "Company") on Form 10-Q for the quarter ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth F. Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein

President and Chief Executive Officer

May 8, 2008

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Acadia Realty Trust (the "Company") on Form 10-Q for the quarter ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Nelsen, Sr. Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and
Chief Financial Officer
May 8, 2008