

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2011

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)

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

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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.

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer 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 5, 2011 there were 40,323,366 common shares of beneficial interest, par value \$.001 per share, outstanding.

ACADIA REALTY TRUST AND SUBSIDIARIES

FORM 10-Q

INDEX

Page

Part I:	Financial Information	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets as of March 31, 2011 (unaudited) and December 31, 2010</u>	1
	<u>Consolidated Statements of Income for the three months ended March 31, 2011 and 2010 (unaudited)</u>	2
	<u>Consolidated Statements of Shareholders' Equity and Comprehensive Income for the three months ended March 31, 2011 and 2010 (unaudited)</u>	3
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010 (unaudited)</u>	4
	<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
<u>Item 4.</u>	<u>Controls and Procedures</u>	27
Part II:	Other Information	
<u>Item 1.</u>	<u>Legal Proceedings</u>	27
<u>Item 1A.</u>	<u>Risk Factors</u>	27
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	27
<u>Item 4.</u>	<u>(Removed and Reserved)</u>	27
<u>Item 5.</u>	<u>Other Information</u>	27
<u>Item 6.</u>	<u>Exhibits</u>	27
	<u>Signatures</u>	28
	<u>Exhibit Index</u>	29

Part I. Financial Information

Item 1. Financial Statements.

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
Operating real estate		
Land	\$ 226,785	\$ 222,786
Building and improvements	930,334	915,221
Construction in progress	2,174	4,400
	<u>1,159,293</u>	<u>1,142,407</u>
Less: accumulated depreciation	227,025	219,920
Net operating real estate	932,268	922,487
Real estate under development	240,352	243,892
Notes receivable, net	92,417	89,202
Investments in and advances to unconsolidated affiliates	70,613	31,036
Cash and cash equivalents	107,335	120,592
Cash in escrow	25,947	28,610
Rents receivable, net	19,905	18,044
Deferred charges, net	25,487	25,730
Acquired lease intangibles, net	17,731	18,622
Prepaid expenses and other assets	28,986	22,463
Assets of discontinued operations	—	4,128
Total assets	<u>\$ 1,561,041</u>	<u>\$ 1,524,806</u>
LIABILITIES		
Mortgage notes payable	\$ 844,104	\$ 806,212
Convertible notes payable, net of unamortized discount of \$793 and \$1,063, respectively	48,982	48,712
Distributions in excess of income from, and investments in, unconsolidated affiliates	21,040	20,884
Accounts payable and accrued expenses	24,019	27,691
Dividends and distributions payable	7,505	7,427
Acquired lease and other intangibles, net	5,483	5,737
Other liabilities	17,142	20,621
Total liabilities	<u>968,275</u>	<u>937,284</u>
EQUITY		
Shareholders' equity		
Common shares, \$.001 par value, authorized 100,000,000 shares; issued and outstanding 40,321,306 and 40,254,525 shares, respectively	40	40
Additional paid-in capital	303,324	303,823
Accumulated other comprehensive loss	(2,362)	(2,857)
Retained earnings	19,371	17,206
Total shareholders' equity	<u>320,373</u>	<u>318,212</u>
Noncontrolling interests	272,393	269,310
Total equity	<u>592,766</u>	<u>587,522</u>
Total liabilities and equity	<u>\$ 1,561,041</u>	<u>\$ 1,524,806</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three months ended March 31,	
	2011	2010
(dollars in thousands, except per share amounts)		
Revenues		
Rental income	\$ 28,315	\$ 25,601
Interest income	4,538	4,993
Expense reimbursements	5,635	6,030
Management fee income	629	400
Other	689	437
Total revenues	<u>39,806</u>	<u>37,461</u>
Operating Expenses		
Property operating	8,148	7,787
Real estate taxes	4,386	4,527
General and administrative	5,690	5,119
Depreciation and amortization	9,184	10,195
Total operating expenses	<u>27,408</u>	<u>27,628</u>
Operating income	12,398	9,833
Equity in (losses) earnings of unconsolidated affiliates	(148)	387
Other interest income	34	134
Gain on debt extinguishment	1,673	—
Interest and other finance expense	(8,008)	(8,467)
Income from continuing operations before income taxes	5,949	1,887
Income tax provision	(262)	(439)
Income from continuing operations	5,687	1,448
Discontinued Operations		
Operating income from discontinued operations	43	59
Gain on sale of property	3,922	—
Income from discontinued operations	<u>3,965</u>	<u>59</u>
Net income	<u>9,652</u>	<u>1,507</u>
Noncontrolling interests		
Continuing operations	2,949	3,670
Discontinued operations	(3,178)	(47)
Net (income) loss attributable to noncontrolling interests	<u>(229)</u>	<u>3,623</u>
Net income attributable to Common Shareholders	<u>\$ 9,423</u>	<u>\$ 5,130</u>
Basic Earnings per Share		
Income from continuing operations	\$ 0.21	\$ 0.13
Income from discontinued operations	0.02	—
Basic earnings per share	<u>\$ 0.23</u>	<u>\$ 0.13</u>
Diluted Earnings per Share		
Income from continuing operations	\$ 0.21	\$ 0.13
Income from discontinued operations	0.02	—
Diluted earnings per share	<u>\$ 0.23</u>	<u>\$ 0.13</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(unaudited)

(dollars in thousands, except per share amounts)	Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
Balance at December 31, 2010	40,254	\$ 40	\$ 303,823	\$ (2,857)	\$ 17,206	\$ 318,212	\$ 269,310	\$ 587,522
Conversion of 10,024 OP Units to Common Shares by limited partners of the Operating Partnership	10	—	40	—	—	40	(40)	—
Dividends declared (\$0.18 per Common Share)	—	—	—	—	(7,258)	(7,258)	(247)	(7,505)
Vesting of employee Restricted Share and LTIP awards	95	—	132	—	—	132	700	832
Common Shares issued under Employee Share Purchase Plan	1	—	24	—	—	24	—	24
Issuance of LTIP Unit awards to employees	—	—	—	—	—	—	2,441	2,441
Issuance of Common Shares to trustees	—	—	22	—	—	22	—	22
Exercise of trustees options	1	—	7	—	—	7	—	7
Employee Restricted Shares cancelled	(40)	—	(724)	—	—	(724)	—	(724)
Noncontrolling interest distributions	—	—	—	—	—	—	(83)	(83)
	40,321	40	303,324	(2,857)	9,948	310,455	272,081	582,536
Comprehensive income:								
Net income	—	—	—	—	9,423	9,423	229	9,652
Unrealized loss on valuation of swap agreements	—	—	—	(241)	—	(241)	(66)	(307)
Reclassification of realized interest on swap agreements	—	—	—	736	—	736	149	885
Total comprehensive income	—	—	—	495	9,423	9,918	312	10,230
Balance at March 31, 2011	40,321	\$ 40	\$ 303,324	\$ (2,362)	\$ 19,371	\$ 320,373	\$ 272,393	\$ 592,766
Balance at December 31, 2009	39,787	\$ 40	\$ 299,014	\$ (2,994)	\$ 16,125	\$ 312,185	\$ 220,292	\$ 532,477
Conversion of 250,300 OP Units to Common Shares by limited partners of the Operating Partnership	250	—	2,114	—	—	2,114	(2,114)	—
Dividends declared (\$0.18 per Common Share)	—	—	—	—	(7,231)	(7,231)	(192)	(7,423)
Vesting of employee Restricted Share and LTIP awards	133	—	552	—	—	552	444	996
Common Shares issued under Employee Share Purchase Plan	2	—	24	—	—	24	—	24
Issuance of Common Shares to trustees	3	—	61	—	—	61	—	61
Employee Restricted Shares cancelled	(57)	—	(966)	—	—	(966)	—	(966)
Noncontrolling interest distributions	—	—	—	—	—	—	(487)	(487)
Noncontrolling interest contributions	—	—	—	—	—	—	11,876	11,876
	40,118	40	300,799	(2,994)	8,894	306,739	229,819	536,558
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	5,130	5,130	(3,623)	1,507
Unrealized loss on valuation of swap agreements	—	—	—	(991)	—	(991)	(31)	(1,022)
Reclassification of realized interest on swap agreements	—	—	—	772	—	772	96	868
Total comprehensive income (loss)	—	—	—	(219)	5,130	4,911	(3,558)	1,353
Balance at March 31, 2010	40,118	\$ 40	\$ 300,799	\$ (3,213)	\$ 14,024	\$ 311,650	\$ 226,261	\$ 537,911

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(dollars in thousands)

	Three months ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,652	\$ 1,507
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,184	10,341
Gain on sale of property	(3,922)	—
Gain on debt extinguishment	(1,673)	—
Noncash accretion of notes receivable	(406)	(1,438)
Share compensation expense	853	1,057
Equity in losses (earnings) of unconsolidated affiliates	148	(387)
Other, net	1,557	1,022
Changes in assets and liabilities		
Cash in escrow	2,341	1,933
Rents receivable, net	(2,409)	(2,250)
Prepaid expenses and other assets, net	(6,504)	(2,366)
Accounts payable and accrued expenses	(1,057)	(939)
Other liabilities	(3,006)	1,002
Net cash provided by operating activities	4,758	9,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in real estate	(13,225)	(11,075)
Deferred acquisition and leasing costs	(900)	(395)
Investments in and advances to unconsolidated affiliates	(40,618)	(156)
Return of capital from unconsolidated affiliates	689	28
Repayments of notes receivable	874	—
Increase in notes receivable	(3,834)	—
Proceeds from sale of property	7,977	—
Net cash used in investing activities	(49,037)	(11,598)

ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(dollars in thousands)

	Three months ended March 31,	
	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes	(8,411)	(25,742)
Proceeds received on mortgage notes	48,149	—
Increase in deferred financing and other costs	(512)	(2,943)
Capital contributions from noncontrolling interests	—	11,876
Distributions to noncontrolling interests	(254)	(676)
Dividends paid to Common Shareholders	(7,256)	(7,188)
Repurchase and cancellation of Common Shares	(725)	(966)
Common Shares issued under Employee Share Purchase Plan	24	24
Exercise of options to purchase Common Shares	7	—
	31,022	(25,615)
Net cash provided by (used in) financing activities		
Decrease in cash and cash equivalents	(13,257)	(27,731)
Cash and cash equivalents, beginning of period	120,592	93,808
	\$ 107,335	\$ 66,077
Cash and cash equivalents, end of period		
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, including capitalized interest of \$1,188 and \$442, respectively	\$ 8,492	\$ 7,724
Cash paid for income taxes	\$ 3,343	\$ 784

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Business and Organization

Acadia Realty Trust (the "Trust") and subsidiaries (collectively, the "Company"), is a fully-integrated equity real estate investment trust ("REIT") focused on the ownership, management and redevelopment of high-quality retail properties and urban/infill mixed-use properties with a strong retail component located primarily in high-barrier-to-entry, densely-populated metropolitan areas along the East Coast and in the Midwestern United States.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership") and entities in which the Operating Partnership owns an interest. As of March 31, 2011, the Trust controlled approximately 99% 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 primarily represent entities or individuals that 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") and restricted OP units ("LTIP Units") awarded to employees as long-term compensation (Note 13). 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").

As of March 31, 2011, the Company has ownership interests in 34 properties within its core portfolio ("Core Portfolio") and 48 properties within its three opportunity funds, Acadia Strategic Opportunity Fund I, L.P. ("Fund I"), Acadia Strategic Opportunity Fund II, LLC ("Fund II") and Acadia Strategic Opportunity Fund III, LLC ("Fund III") and together with Fund I and Fund II, the "Opportunity Funds"). The 82 properties consist of commercial properties, primarily neighborhood and community shopping centers, mixed-use properties with a retail component and self-storage properties. In addition, the Company also invests in operating companies through Acadia Mervyn Investors I, LLC ("Mervyns I") and Acadia Mervyn Investors II, LLC ("Mervyns II") or Fund II, all on a non-recourse basis. These investments comprise and are referred to as the Company's Retailer Controlled Property initiative ("RCP Venture"). The Operating Partnership has the following equity interests in the Opportunity Funds, Mervyns I and Mervyns II:

<u>Entity</u>	<u>Equity Interest Held By Operating Partnership</u>
Fund I and Mervyns I	22.2%
Fund II and Mervyns II	20.0%
Fund III	19.9%

In addition, with respect to each of the Opportunity Funds, Mervyns I and Mervyns II, the Operating Partnership is entitled to a profit participation in excess of its equity interest percentage based on certain investment return thresholds ("Promote").

Basis of Presentation

The consolidated financial statements include the consolidated accounts of the Company and its investments in partnerships and limited liability companies in which the Company is presumed to have control in accordance with the consolidation guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Investments in entities for which the Company has the ability to exercise significant influence but does not have financial or operating control, are accounted for under the equity method of accounting. Accordingly, the Company's share of the net earnings (or losses) of entities accounted for under the equity method are included in consolidated net income under the caption, Equity in (Losses) Earnings of Unconsolidated Affiliates. Investments in entities for which the Company does not have the ability to exercise any influence are accounted for under the cost method.

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 rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The preparation of 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, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2011. 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. These consolidated financial statements should be read in conjunction with the Company's 2010 Annual Report on Form 10-K, as filed with the SEC on February 28, 2011.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

Recent Accounting Pronouncements

During April 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-02 "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." ASU 2011-02 requires a creditor to evaluate whether a restructuring constitutes a troubled debt restructuring by concluding that the restructuring constitutes a concession and that the debtor is experiencing financial difficulties and is effective for the first interim or annual period beginning on or after June 15, 2011. The adoption of ASU 2011-02 is not expected to have a material impact on the Company's financial condition or results of operations.

2. EARNINGS PER COMMON SHARE

Basic earnings per Common Share is computed using net income attributable to common shareholders and the weighted average Common Shares outstanding. Diluted earnings per Common Share reflect the conversion of obligations and the assumed exercises of securities including the effects of awards issuable under the Company's Share Incentive Plans. The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the periods indicated:

	Three months ended	
	March 31,	
(dollars in thousands, except per share amounts)	2011	2010
Numerator		
Income from continuing operations attributable to Common Shareholders	\$ 8,636	\$ 5,118
Effect of dilutive securities:		
Preferred OP Unit distributions	5	—
Numerator for diluted earnings per Common Share	<u>\$ 8,641</u>	<u>\$ 5,118</u>
Denominator		
Weighted average shares for basic earnings per share	40,318	39,981
Effect of dilutive securities:		
Employee share options	237	169
Convertible Preferred OP Units	25	—
Dilutive potential Common Shares	<u>262</u>	<u>169</u>
Denominator for diluted earnings per share	<u>40,580</u>	<u>40,150</u>
Basic earnings per Common Share from continuing operations attributable to Common Shareholders	<u>\$ 0.21</u>	<u>\$ 0.13</u>
Diluted earnings per Common Share from continuing operations attributable to Common Shareholders	<u>\$ 0.21</u>	<u>\$ 0.13</u>

The weighted average shares used in the computation of diluted earnings per share include unvested restricted Common Shares ("Restricted Shares") and restricted OP units ("LTIP Units") (Note 13) that are entitled to receive dividend equivalent payments. The effect of the conversion of Common OP Units is not reflected in the above table, as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as noncontrolling interests in subsidiaries 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 9) is not reflected in the table above as such conversion, based on the current market price of the Common Shares, would be settled with cash.

The effect of the assumed conversion of 188 Series A Preferred OP Units into 25,067 Common Shares would be dilutive for the three months ended March 31, 2011 and anti-dilutive for the three months ended March 31, 2010 and are accordingly included and excluded, respectively, from the table above.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

3. NONCONTROLLING INTERESTS

Noncontrolling interests represent the portion of equity in entities consolidated in the accompanying financial statements that the Company does not own. Such noncontrolling interests are reported on the Consolidated Balance Sheets within equity, separately from shareholders' equity.

Noncontrolling interests include third party interests in the Company's Opportunity Funds and other entities. It also include interests in the Operating Partnership which represent (i) the limited partners' 281,294 Common OP Units at both March 31, 2011 and December 31, 2010 (ii) 188 Series A Preferred OP Units at both March 31, 2011 and December 31, 2010 and (iii) 1,060,225 and 641,534 LTIP Units at March 31, 2011 and December 31, 2010, respectively.

4. ACQUISITION AND DISPOSITION OF PROPERTIES AND DISCONTINUED OPERATIONS

Acquisitions

During February 2011, Fund III, in a venture with an unaffiliated partner, acquired three retail properties ("Lincoln Road"), aggregating 61,400 square feet located in the Lincoln Road area of South Miami Beach, Florida for \$51.9 million, which included the assumption of \$20.6 million of in-place mortgage debt. Fund III has a 95% interest in these properties.

During February 2011, Fund III, in a venture with an unaffiliated partner, acquired a 64,600 square foot single tenant retail property ("White Oak") located in Silver Spring, Maryland for \$9.8 million. Fund III has a 90% interest in the property.

Discontinued Operations

The Company reports properties held-for-sale and properties sold during the periods as discontinued operations. The results of operations of discontinued operations are reflected as a separate component within the accompanying Consolidated Financial Statements for all periods presented.

During January 2011, the Company completed the sale of a Fund II leasehold interest in the Neiman Marcus location at Oakbrook Center, located in Oak Brook, Illinois, for \$8.2 million. The sale resulted in a gain of \$3.9 million. The combined assets and liabilities as of December 31, 2010 and results of operations of the property classified as discontinued operations for the three months ended March 31, 2011 and March 31, 2010 are summarized as follows:

BALANCE SHEET
(dollars in thousands)

		<u>December 31,</u> <u>2010</u>
ASSETS		
Net real estate	\$	4,046
Rents receivable, net		69
Prepaid expenses and other assets, net		13
Total assets of discontinued operations	\$	<u>4,128</u>
LIABILITIES		
Total liabilities of discontinued operations	\$	<u>—</u>

STATEMENTS OF OPERATIONS
(dollars in thousands)

	<u>Three months ended March 31,</u> <u>2011</u> <u>2010</u>			
Total revenues	\$	45	\$	266
Total expenses		2		207
Operating income		43		59
Gain on sale of property		3,922		—
Income from discontinued operations		3,965		59
Income from discontinued operations attributable to noncontrolling interests		(3,178)		(47)
Income from discontinued operations attributable to Common Shareholders	\$	<u>787</u>	\$	<u>12</u>

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Core Portfolio

Brandywine Portfolio

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

Crossroads

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

Opportunity Funds

RCP Venture

During 2004, the Company along with Klaff Realty, LP ("Klaff") and Lubert-Adler Management, Inc. ("Lubert-Adler") formed an investment group, the RCP Venture, for the purpose of making investments in surplus or underutilized properties owned by retailers. The RCP Venture is neither a single entity nor a specific investment. Any member of this group has the option of participating, or not, in any individual investment and each individual investment has been made on a stand-alone basis through a separate limited liability company ("LLC"). These investments have been made through different investment vehicles with different affiliated and unaffiliated investors and different economics to the Company. Investments under the RCP Venture are structured as separate joint ventures as there may be other investors participating in certain investments in addition to Klaff, Lubert-Adler and Acadia. The Company has made these investments through its subsidiaries, Mervyns I, Mervyns II and Fund II, (together the "Acadia Investors"), all on a non-recourse basis. Through March 31, 2011, the Acadia Investors have made investments in Mervyns Department Stores ("Mervyns") and Albertsons including additional investments in locations that are separate from these original investments ("Add-On Investments"). Additionally, the Acadia Investors have invested in Shopko, Marsh and Rex Stores Corporation (collectively "Other RCP Investments").

The Acadia Investors have noncontrolling interests in the individual investee LLC's as follows:

Investment	Investee LLC	Acadia Investors Entity	Acadia Investors Ownership % in:	
			Investee LLC	Underlying entity(s)
Mervyns	KLA/Mervyn's, LLC	Mervyns I and Mervyns II	10.5%	5.8%
Mervyns Add-On investments	KLA/Mervyn's, LLC.	Mervyns I and Mervyns II	10.5%	5.8%
Albertsons	KLA A Markets, LLC	Mervyns II	18.9%	5.7%
Albertsons Add-On investments	KLA A Markets, LLC	Mervyns II	20.0%	6.0%
Shopko	KLA-Shopko, LLC	Fund II	20.0%	2.0%
Marsh and Add-On investments	KLA Marsh, LLC	Fund II	20.0%	3.3%
Rex stores	KLAC Rex Venture, LLC	Mervyns II	13.3%	13.3%

The Company accounts for the original investments in Mervyns and Albertsons under the equity method of accounting as the Company has the ability to exercise significant influence, but does not have financial or operating control.

The Company accounts for the Add-On Investments and Other RCP Investments under the cost method. Due to its minor ownership interest, based on the size of the investments as well as the terms of the underlying operating agreements, the Company has no influence over such entities operating and financial policies. Other than the minority investor rights to which the Company is entitled pursuant to statute, it has no rights other than to receive its pro-rata share of cash distributions as declared by the managers of the Add-On Investments and Other RCP Investments. The Company has no rights with respect to the control and operation of these investment vehicles, nor with the formulation and execution of business and investment policies.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES (continued)

The following table summarizes activity related to the RCP Venture investments from inception through March 31, 2011:

(dollars in thousands)

Investment	Year Acquired	Invested Capital and Advances	Distributions	Operating Partnership Share	
				Invested Capital and Advances	Distributions
Mervyns	2004	\$ 26,058	\$ 45,966	\$ 4,901	\$ 11,251
Mervyns Add-On investments	2005/2008	6,517	1,703	1,046	283
Albertsons	2006	20,717	77,053	4,239	15,410
Albertsons Add-On investments	2006/2007	2,412	1,679	387	336
Shopko	2006	1,108	1,655	222	331
Marsh and Add-on investments	2006/2008	2,667	2,639	533	528
Rex Stores	2007	2,701	840	535	168
		\$ 62,180	\$ 131,535	\$ 11,863	\$ 28,307

Other Opportunity Fund Investments

Fund II Investments

Prior to June 30, 2010, Fund II had a 24.75% interest in CityPoint, a redevelopment project located in downtown Brooklyn, NY, which was accounted for under the equity method. On June 30, 2010, Fund II acquired the remaining interests in the project from its unaffiliated partner and, as a result, now consolidates the CityPoint investment.

Fund III Investments

The unaffiliated venture partners for the Lincoln Road and White Oak investments (Note 4) maintain control over these entities and, as such, the Company accounts for these investments using the equity method.

Fund III also has an additional investment in the White City Shopping Center for which the unaffiliated venture partner maintains control over the entity and, as such, the Company accounts for this investment using the equity method.

During June 2010, Fund III, together with an unaffiliated partner, invested in an entity for the purpose of providing management services to owners of self-storage properties, including the 14 locations currently owned through Fund II and Fund III. The entity was determined to be a variable interest entity for which the Company was determined not to be the primary beneficiary. As such, the Company accounts for this investment under the equity method.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES (continued)

Summary of Investments in Unconsolidated Affiliates

The following combined/condensed Balance Sheets and Statements of Operations, in each period, summarize the financial information of the Company's investments in unconsolidated affiliates.

(dollars in thousands)	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Combined and Condensed Balance Sheets		
Assets		
Rental property, net	\$ 248,456	\$ 186,802
Investment in unconsolidated affiliates	190,640	192,002
Other assets	28,212	27,841
	<u>467,308</u>	<u>406,645</u>
Total assets	\$ 467,308	\$ 406,645
Liabilities and partners' equity		
Mortgage notes payable	\$ 287,705	\$ 267,565
Other liabilities	15,014	13,815
Partners' equity	164,589	125,265
	<u>467,308</u>	<u>406,645</u>
Total liabilities and partners' equity	\$ 467,308	\$ 406,645
Company's investment in and advances to unconsolidated affiliates	\$ 70,613	\$ 31,036
Company's share of distributions in excess of share of income and investments in unconsolidated affiliates	\$ (21,040)	\$ (20,884)

(dollars in thousands)	Three Months Ended	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Combined and Condensed Statements of Operations		
Total revenues	\$ 9,582	\$ 7,069
Operating and other expenses	3,766	2,537
Interest expense	3,973	3,355
Equity in earnings of unconsolidated affiliates	958	2,923
Depreciation and amortization	1,912	1,098
Loss on sale of property, net	—	(2,957)
Net income	\$ 889	\$ 45
Company's share of net (loss) income	\$ (50)	\$ 484
Amortization of excess investment	(98)	(97)
Company's share of net (loss) income	\$ (148)	\$ 387

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

6. NOTES RECEIVABLE

At March 31, 2011, the Company's notes receivable, net aggregated \$92.4 million, and were collateralized by the underlying properties, the borrowers' ownership interest in the entities that own the properties and/or by the borrowers' personal guarantee as follows:

Description	Effective interest rate	Maturity date	First Priority liens	Net carrying amount of notes receivable	Extension options
(dollars in thousands)					
Mezzanine Loan	20.9%	7/2011	\$ 170,727	\$ 47,000	1 x 1 year
Mezzanine Loan	10.2%	11/2011	9,410	8,000	1 x 1 year
Mezzanine Loan	14.5%	6/2011	—	8,585	1 x 6 months
Mezzanine Loan	13.0%	9/2011	—	2,980	—
Mezzanine Loan	15.0%	Upon Capital Event	—	3,834	—
First Mortgage Loan	10.8%	9/2011	—	10,000	—
Zero coupon Loan	24.0%	1/2016	—	3,309	—
Individually less than 3%	10% to 17.5%	Demand note to 1/2017	106,089	8,709	—
Total				\$ 92,417	

During February 2011, the Company made a mezzanine loan for \$3.8 million which accrues interest at 15% and is payable upon a capital event. The Company also received a payment of \$1.9 million on a mezzanine loan.

Allowances for real estate notes receivable are established based upon management's quarterly review of the investments. In performing this review, management considers the estimated net recoverable value of the loan as well as other factors, including the fair value of any collateral, the amount and status of any senior debt, and the prospects for the borrower. Because this determination is based upon projections of future economic events, which are inherently subjective, the amounts ultimately realized from the loans may differ materially from the carrying value at the balance sheet date.

The activity in the allowance for notes receivable for the three months ended March 31, 2011 is as follows:

(dollars in thousands)	Allowance for Notes Receivable
Balance at December 31, 2010	\$ 4,964
Provision for losses on notes receivable	151
Balance at March 31, 2011	\$ 5,115

7. DERIVATIVE FINANCIAL INSTRUMENTS

As of March 31, 2011, the Company's derivative financial instruments consisted of seven interest rate swaps with an aggregate notional value of \$71.4 million, which effectively fix LIBOR at rates ranging from 0.4% to 5.1% and mature between September 2011 and November 2012. The Company also has a derivative financial instrument with a notional value of \$28.9 million which caps LIBOR at 6.0% and matures in April 2013. The fair value of the net derivative liability of these instruments, which is included in other liabilities in the Consolidated Balance Sheets, totaled \$2.3 million and \$2.8 million at March 31, 2011 and December 31, 2010, respectively. The notional value does not represent exposure to credit, interest rate, or market risks.

These derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on variable rate mortgage debt. Such instruments are reported at the fair value reflected above. As of March 31, 2011 and December 31, 2010, unrealized losses totaling \$2.4 million and \$2.8 million, respectively, were reflected in accumulated other comprehensive loss.

As of March 31, 2011 and December 31, 2010, no derivatives were designated as fair value hedges, hedges of net investments in foreign operations or considered to be ineffective. Additionally, the Company does not use derivatives for trading or speculative purposes.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

8. MORTGAGE NOTES PAYABLE

The Company completed the following transactions related to mortgage loans and credit facilities during the three months ended March 31, 2011:

During January 2011, the Company liquidated a \$9.3 million mortgage loan for \$7.6 million, resulting in a \$1.7 million gain on extinguishment of debt.

During January 2011, the Company borrowed the remaining \$2.4 million of a \$34.0 million loan collateralized by a property.

During February 2011, the Company borrowed \$39.0 million under the Fund III subscription line of credit. As of March 31, 2011, the total outstanding amount on this line of credit was \$210.5 million.

During January 2011, the Company amended an existing \$48.0 million construction loan collateralized by a property. The amendment provided for an additional \$3.0 million supplemental loan and a \$7.0 million subordinate loan. The amended loan continues to bear interest at LIBOR plus 400 basis points, subject to an interest rate floor of 6.50% and matures on January 12, 2012. During the first quarter of 2011, the Company drew down an additional \$6.7 million on this construction loan. As of March 31, 2011, the total outstanding amount on this loan was \$46.9 million.

9. 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 obligations and rank equally with all other unsecured and unsubordinated indebtedness. The Convertible Notes have an effective interest rate of 6.03% giving effect to the accounting treatment required by ASC Topic 470-20 "Debt with Conversion and Other Options". Holders of the Convertible Notes may require the Company to repurchase the Convertible Notes at par on December 20, 2011, December 15, 2016 and December 15, 2021. The Company deems that the Convertible Notes will mature on December 20, 2011.

The carrying amount of the equity component included in additional paid-in capital totaled \$0.8 million at March 31, 2011 and \$1.1 million at December 31, 2010. The additional non-cash interest expense recognized in the Consolidated Statements of Income was \$0.3 million for each of the three months ended March 31, 2011 and 2010. The if-converted value of the Convertible Notes does not exceed their aggregate principal amount as of March 31, 2011 and there are no derivative transactions that were entered into in connection with the issuance of the Convertible Notes.

Through March 31, 2011, the Company has purchased \$65.2 million in face amount of its Convertible Notes at an average discount of approximately 19%. The outstanding Convertible Notes face amount as of March 31, 2011 was \$49.8 million.

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

10. FAIR VALUE MEASUREMENTS

The FASB's fair value measurements and disclosure guidance requires the valuation of certain of the Company's financial assets and liabilities, based on a three-level fair value hierarchy. Market participant assumptions obtained from sources independent of the Company are observable inputs that are classified within Levels 1 and 2 of the hierarchy, and the Company's own assumptions about market participant assumptions are unobservable inputs classified within Level 3 of the hierarchy.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2011:

(dollars in thousands)	Level 1	Level 2	Level 3
Liabilities			
Derivative financial instruments (Note 7)	\$ —	\$ 2,340	\$ —

Financial Instruments

Certain of the Company's assets and liabilities meet the definition of financial instruments. Except as disclosed below, the carrying amounts of these financial instruments approximates their fair value.

The Company has determined the estimated fair values of the following financial instruments by discounting future cash flows utilizing a discount rate equivalent to the rate at which similar financial instruments would be originated at the reporting date:

(dollars in thousands)	March 31, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Notes Receivable	\$ 92,417	\$ 92,689	\$ 89,202	\$ 90,612
Mortgage Notes Payable and Convertible Notes Payable	\$ 893,086	\$ 893,426	\$ 854,924	\$ 863,639

11. RELATED PARTY TRANSACTIONS

The Company earned property management fees, legal and leasing fees from the Brandywine portfolio totaling \$0.5 million and \$0.2 million for the three months ended March 31, 2011 and March 31, 2010, 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, 2011 and 2010.

12. SEGMENT REPORTING

The Company has five reportable segments: Core Portfolio, Opportunity Funds, Self-Storage Portfolio, Notes Receivable and Other. "Notes Receivable" consists of the Company's notes receivable and preferred equity investment and related interest income. "Other" consists primarily of management fees 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 contemplated finite life of the Opportunity Funds, these investments are typically held for shorter terms. Fees earned by the Company as the general partner/member of the Opportunity Funds are eliminated in the Company's consolidated financial statements. The following tables set forth certain segment information for the Company, reclassified for discontinued operations, as of and for the three months ended March 31, 2011 and 2010 (does not include unconsolidated affiliates):

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

12. SEGMENT REPORTING, continued

Three Months Ended March 31, 2011

(dollars in thousands)	Core Portfolio	Opportunity Funds	Self - Storage Portfolio	Notes Receivable	Other	Amounts Eliminated in Consolidation	Total
Revenues	\$ 15,710	\$ 13,594	\$ 5,335	\$ 4,538	\$ 6,474	\$ (5,845)	\$ 39,806
Property operating expenses and real estate taxes	4,914	4,852	3,213	-	-	(445)	12,534
Other expenses	5,898	3,480	-	-	-	(3,688)	5,690
Income before depreciation and amortization	\$ 4,898	\$ 5,262	\$ 2,122	\$ 4,538	\$ 6,474	\$ (1,712)	\$ 21,582
Depreciation and amortization	\$ 3,728	\$ 4,405	\$ 1,177	\$ -	\$ -	\$ (126)	\$ 9,184
Interest and other finance expense	\$ 4,077	\$ 3,093	\$ 851	\$ -	\$ -	\$ (13)	\$ 8,008
Real estate at cost	\$ 480,619	\$ 722,253	\$ 210,396	\$ -	\$ -	\$ (13,623)	\$ 1,399,645
Total assets	\$ 567,991	\$ 813,476	\$ 193,505	\$ 92,417	\$ -	\$ (106,348)	\$ 1,561,041
Expenditures for real estate and improvements	\$ 1,385	\$ 11,670	\$ 445	\$ -	\$ -	\$ (275)	\$ 13,225
Reconciliation to net income and net income attributable to Common Shareholders							
Net property income before depreciation and amortization							\$ 21,582
Other interest income							34
Depreciation and amortization							(9,184)
Equity in losses of unconsolidated affiliates							(148)
Interest and other finance expense							(8,008)
Income tax provision							(262)
Gain on debt extinguishment							1,673
Income from discontinued operations							3,965
Net income							9,652
Net income attributable to noncontrolling interests							(229)
Net income attributable to Common Shareholders							\$ 9,423

Three Months Ended March 31, 2010

(dollars in thousands)	Core Portfolio	Opportunity Funds	Self - Storage Portfolio	Notes Receivable	Other	Amounts Eliminated in Consolidation	Total
Revenues	\$ 15,934	\$ 11,596	\$ 4,539	\$ 4,993	\$ 4,785	\$ (4,386)	\$ 37,461
Property operating expenses and real estate taxes	5,329	4,370	2,907	-	-	(292)	12,314
Other expenses	5,714	3,382	-	-	-	(3,977)	5,119
Income before depreciation and amortization	\$ 4,891	\$ 3,844	\$ 1,632	\$ 4,993	\$ 4,785	\$ (117)	\$ 20,028
Depreciation and amortization	\$ 3,917	\$ 5,203	\$ 1,183	\$ -	\$ -	\$ (108)	\$ 10,195
Interest and other finance expense	\$ 4,302	\$ 3,063	\$ 1,102	\$ -	\$ -	\$ -	\$ 8,467
Real estate at cost	\$ 476,751	\$ 534,884	\$ 210,422	\$ -	\$ -	\$ (11,144)	\$ 1,210,913
Total assets	\$ 538,061	\$ 612,245	\$ 196,206	\$ 126,643	\$ -	\$ (112,981)	\$ 1,360,174
Expenditures for real estate and improvements	\$ 2,970	\$ 7,594	\$ 562	\$ -	\$ -	\$ (51)	\$ 11,075
Reconciliation to net income and net income attributable to Common Shareholders							
Net property income before depreciation and amortization							\$ 20,028
Other interest income							134
Depreciation and amortization							(10,195)
Equity in earnings of unconsolidated affiliates							387
Interest and other finance expense							(8,467)
Income tax provision							(439)
Income from discontinued operations							59
Net income							1,507
Net loss attributable to noncontrolling interests							3,623
Net income attributable to Common Shareholders							\$ 5,130

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

13. LONG-TERM INCENTIVE COMPENSATION

LONG-TERM INCENTIVE COMPENSATION

The Company maintains two share incentive plans, the 2003 Share Incentive Plan and the 2006 Share Incentive Plan (collectively the "Share Incentive Plans").

On March 3, 2011 and March 22, 2011, the Company issued a combined total of 429,909 LTIP Units and 1,549 Restricted Shares to officers of the Company and 164 LTIP Units and 9,584 Restricted Shares to other employees of the Company. Vesting with respect to these awards is recognized ratably over the five annual anniversaries following the issuance date. Vesting with respect to 11% of the awards issued to officers is also generally subject to achieving certain Company performance measures.

These awards were measured at their fair value as if they were vested on the grant date. Fair value was established as the market price of the Company's Common Shares as of the close of trading on the day preceding the grant date.

The total value of the above Restricted Shares and LTIP Units as of the grant date was \$8.4 million, of which \$2.4 million has been recognized in compensation expense during 2010 and \$6.0 million will be recognized in compensation expense over the vesting period. Compensation expense of \$0.3 million has been recognized in the accompanying financial statements related to these awards for the three months ended March 31, 2011.

Total long-term incentive compensation expense, including the expense related to the above-mentioned plans, was \$0.8 million and \$1.0 million for the three months ended March 31, 2011 and 2010, respectively.

In 2009, the Company adopted the Long Term Investment Alignment Program (the "Program") pursuant to which the Company may award units primarily to senior executives which would entitle them to receive up to 25% of any future Fund III Promote when and if such Promote is ultimately realized. During March 2011, the Company awarded an additional 12% of the Program, with the total awards to date representing 73% of the Program, which were determined to have no value at issuance or as of March 31, 2011. In accordance with ASC Topic 718, "Compensation - Stock Compensation," compensation relating to these awards will be recorded based on the change in the estimated fair value at each reporting period.

14. SUBSEQUENT EVENTS

During April 2011, the Company, through Fund III, acquired The Heritage Shops at Millennium Park, a 105,000 square foot property located in the East Loop section of downtown Chicago, Illinois, for \$31.6 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, 2011 and 2010 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, 2010 (our "2010 Form 10-K") and include, among others, the following: general economic and business conditions, including the current post-recessionary period, 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, acquisition and investment; risks related to our use of leverage; demands placed on our resources due to the growth of our business; risks related to operating through a partnership structure; our limited control over joint venture investments; the risk of loss of key members of management; uninsured losses; REIT distribution requirements and ownership limitations; concentration of ownership by certain institutional investors; 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

As of March 31, 2011, we operated 82 properties, which we own or have an ownership interest in, within our Core Portfolio or within our three Opportunity Funds. These 82 properties consist of commercial properties, primarily neighborhood and community shopping centers, mixed-use properties with a retail component and self-storage properties. The properties we operate are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. Our Core Portfolio consists of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through our Opportunity Funds. Excluding properties under redevelopment, there are 32 properties in our Core Portfolio totaling approximately 4.8 million square feet. Fund I has 20 properties comprising approximately 0.9 million square feet. Fund II has 10 properties, eight of which (representing 1.2 million square feet) are currently operating, one is under construction, and one is in the design phase. Three of the properties also include self-storage facilities. We expect the Fund II portfolio will have approximately 2.0 million square feet upon completion of all current construction and anticipated redevelopment activities. Fund III has 18 properties totaling approximately 1.9 million square feet, of which 11 locations representing 0.9 million net rentable square feet are self-storage facilities. The majority of our operating income is derived from rental revenues from these 82 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 generally traditional investments in operating rental real estate but investments in operating businesses, the Operating Partnership principally 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 operate a Core Portfolio of community and neighborhood shopping centers and main street retail located in markets with strong demographics and generate internal growth within the Core Portfolio through aggressive redevelopment, re-anchoring and/or leasing activities
- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth
- Generate external growth through an opportunistic yet disciplined acquisition program. We target 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. These transactions may include other types of commercial real estate besides those which we invest in through our Core Portfolio. These may also include joint ventures with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets

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 the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2010 Form 10-K.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2011 ("2011") to the three months ended March 31, 2010 ("2010")

Revenues	2011				2010			
	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other
(dollars in millions)								
Rental income	\$ 12.2	\$ 11.2	\$ 4.9	\$ —	\$ 12.0	\$ 9.4	\$ 4.2	\$ —
Mortgage interest income	—	—	—	4.5	—	—	—	5.0
Expense reimbursements	3.3	2.4	—	—	3.9	2.2	—	—
Management fee income (1)	—	—	—	0.6	—	—	—	0.4
Other property income	0.3	—	0.4	—	—	0.1	0.3	—
Total revenues	<u>\$ 15.8</u>	<u>\$ 13.6</u>	<u>\$ 5.3</u>	<u>\$ 5.1</u>	<u>\$ 15.9</u>	<u>\$ 11.7</u>	<u>\$ 4.5</u>	<u>\$ 5.4</u>

(1) Includes fees earned by us as general partner/managing member of the Opportunity Funds that are eliminated in consolidation and adjusts the loss (income) attributable to noncontrolling interests. The balance reflected in the table represents third party fees that are not eliminated in consolidation. Reference is made to Note 12 to the Notes to Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q for an overview of our five reportable segments.

The increase in rental income in the Opportunity Funds primarily related to additional rents at Fordham Place, Pelham Manor and Canarsie for leases that commenced subsequent to March 31, 2010 ("Fund Redevelopment Properties"). The increase in rental income in the Storage Portfolio related to increased occupancy throughout portfolio.

Operating Expenses	2011				2010			
	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other
(dollars in millions)								
Property operating	\$ 2.8	\$ 3.3	\$ 2.5	\$ (0.4)	\$ 3.0	\$ 2.8	\$ 2.3	\$ (0.3)
Real estate taxes	2.1	1.6	0.7	—	2.3	1.5	0.7	—
General and administrative	5.9	3.4	—	(3.7)	5.7	3.4	—	(4.0)
Depreciation and amortization	3.7	4.4	1.2	(0.1)	3.9	5.2	1.2	(0.1)
Total operating expenses	<u>\$ 14.5</u>	<u>\$ 12.7</u>	<u>\$ 4.4</u>	<u>\$ (4.2)</u>	<u>\$ 14.9</u>	<u>\$ 12.9</u>	<u>\$ 4.2</u>	<u>\$ (4.4)</u>

Other

	2011				2010			
	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other
(dollars in millions)								
Equity in earnings (losses)								
of unconsolidated affiliates	\$ 0.2	\$ 0.5	\$ (0.9)	\$ —	\$ 0.1	\$ 0.3	\$ —	\$ —
Other interest income	—	—	—	—	—	—	—	0.1
Gain on extinguishment of debt	1.7	—	—	—	—	—	—	—
Interest and other finance expense	(4.1)	(3.1)	(0.8)	—	(4.3)	(3.1)	(1.1)	—
Income tax expense	(0.5)	—	0.2	—	(0.4)	—	—	—
Income from discontinued operations	—	—	—	4.0	—	—	—	0.1
(Income) loss attributable to noncontrolling interests in subsidiaries - Continuing operations	(0.1)	3.1	—	—	(0.1)	3.8	—	—
- Discontinued operations	—	—	—	(3.2)	—	—	—	—

Equity in earnings (losses) in the Self Storage Portfolio represents the pro-rata share of losses from our unconsolidated investment in a self storage management company which commenced operations in 2010.

The \$1.7 million gain on extinguishment of debt was attributable to the purchase of mortgage debt at a discount in 2011.

Income from discontinued operations and the income attributable to noncontrolling interests-Discontinued operations represent activity related to a property sold during 2011.

FUNDS FROM OPERATIONS

Consistent with the National Association of Real Estate Investment Trusts ("NAREIT") definition, we define funds from operations ("FFO") as net income attributable to common shareholders (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.

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 is presented to assist investors in analyzing our performance. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (or losses) from sales of operating property and depreciation and amortization. However, our method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by GAAP and is not indicative of cash available to fund all cash needs, including distributions. FFO should not be considered as an alternative to net income for the purpose of evaluating our performance or to cash flows as a measure of liquidity.

The reconciliation of net income to FFO for the three months ended March 31, 2011 and 2010 is as follows:

(dollars in millions, except per share amounts)	Three months ended	
	March 31,	
	2011	2010
Funds From Operations		
Net income attributable to Common Shareholders	\$ 9.4	\$ 5.1
Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share)		
Consolidated affiliates	4.5	4.6
Unconsolidated affiliates	0.4	0.4
Gain on sale (net of noncontrolling interests' share)		
Consolidated affiliates	(0.8)	—
Income attributable to noncontrolling interests' in Operating Partnership	0.1	0.1
Funds from operations	<u>\$ 13.6</u>	<u>\$ 10.2</u>
Funds From Operations per Share - Diluted		
Weighted average number of Common Shares and OP Units	<u>41.0</u>	<u>40.8</u>
Diluted funds from operations, per share	<u>\$ 0.33</u>	<u>\$ 0.25</u>

USES OF LIQUIDITY

Our principal uses of liquidity are (i) distributions to our shareholders and OP unit holders, (ii) investments which include the funding of our capital committed to the Opportunity Funds and property acquisitions and redevelopment/re-tenanting activities within our Core 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, 2011, we paid dividends and distributions on our Common Shares and Common OP Units totaling \$7.4 million.

Investments

Fund I and Mervyns I

During 2001, we formed a partnership, Fund I, and in 2004 formed a limited liability company, Mervyns I, with four institutional investors with \$90.0 million, in the aggregate, of committed discretionary capital. Fund I and Mervyns I have returned all invested capital and accumulated preferred return thus triggering our Promote in all future Fund I and Mervyns I earnings and distributions. As of March 31, 2011, \$86.6 million has been invested in Fund I and Mervyns I, of which the Operating Partnership contributed \$19.2 million.

As of March 31, 2011, Fund I currently owned, or had ownership interests in, 20 assets comprising approximately 0.9 million square feet as follows:

Shopping Center	Location	Year acquired	GLA
New York Region			
<i>New York</i>			
Tarrytown Shopping Center	Tarrytown	2004	34,979
Mid-Atlantic Region			
<i>Ohio</i>			
Granville Centre	Columbus	2002	134,997
Various Regions			
Kroger/Safeway Portfolio (18 locations)	Various	2003	714,776
Total			884,752

Reference is made to Note 5 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for a discussion of RCP investments made by Mervyns I to date.

Fund II and Mervyns II

During 2004, we, along with the investors from Fund I as well as two additional institutional investors, formed Fund II, and Mervyns II with \$300.0 million, in the aggregate, of committed discretionary capital. To date, Fund II's primary investment focus has been in the New York Urban/Infill Redevelopment Initiative and the Retailer Controlled Property Venture which are discussed below. As of March 31, 2011, a total of \$265.2 million has been invested in Fund II and Mervyns II, of which the Operating Partnership contributed \$53.0 million. The remaining capital contribution balance of \$34.8 million is expected to be utilized to complete development activities for existing Fund II investments.

New York Urban Infill Redevelopment Initiative

In September 2004, we, through Fund II, launched our New York Urban Infill Redevelopment initiative. Fund II, together with an unaffiliated partner, formed Acadia Urban Development LLC ("Acadia Urban Development") for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain mixed-use real estate properties in the New York City metropolitan area which include a retail component. To date our partner has invested their maximum commitment of \$2.2 million and Fund II, the managing member, has agreed to invest the balance.

To date, Fund II has invested in nine New York Urban Infill Redevelopment construction projects, eight of which were made through Acadia Urban Development, as follows:

Property	Location	Year acquired	Costs to date	Redevelopment (dollars in millions)		Square feet upon completion
				Anticipated additional costs	Estimated construction completion	
Liberty Avenue (1)	Queens	2005	\$ 15.5	\$ 0.1	Completed	125,000
216 th Street	Manhattan	2005	27.7	—	Completed	60,000
Fordham Place	Bronx	2004	124.6	8.5	Completed	260,000
Pelham Manor Shopping Center (1)	Westchester	2004	62.9	1.9	Completed	320,000
161 st Street (2)	Bronx	2005	62.4	4.3	TBD	230,000
Atlantic Avenue (3)	Brooklyn	2007	22.2	0.2	Completed	110,000
Canarsie Plaza	Brooklyn	2007	82.8	8.2	Completed	275,000
CityPoint (1)	Brooklyn	2007	84.8	115.2	TBD	550,000
Sherman Plaza	Manhattan	2005	33.6	TBD	TBD	TBD
Total			\$ 516.5	\$ 138.4		1,930,000

Notes:

TBD – To be determined.

- (1) Acadia Urban Development acquired a ground lease interest at this property.
- (2) Currently operating but redevelopment activities have commenced.
- (3) Fund II owns 100% of this project.

Reference is made to Note 5 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for a discussion of RCP investments made by Fund II and Mervyns II to date.

Fund III

During 2007, we formed Fund III with 14 institutional investors, including all of the investors from Fund I and a majority of the investors from Fund II with \$502.5 million of committed discretionary capital. As of March 31, 2011, \$96.5 million has been invested in Fund III, of which the Operating Partnership contributed \$19.2 million.

New York Urban Infill Redevelopment Initiative

Fund III has invested in a New York Urban/Infill Redevelopment and a main street retail redevelopment in Westport, Connecticut as follows:

Property	Location	Year acquired	Costs to date	Anticipated additional costs	Estimated construction completion	Square feet upon completion
Sheepshead Bay	Brooklyn, NY	2007	\$ 22.8	TBD	TBD	TBD
125 Main Street	Westport, CT	2007	21.3	4.3	2 nd half 2011	26,000
Total			\$ 44.1	\$ 4.3		26,000

Notes:

TBD - To be determined

Other Fund III Investments

Through April 2011, Fund III has acquired five properties through three separate ventures for an aggregate purchase price of \$93.3 million, including assumed debt of \$20.6 million. Reference is made to Notes 4 and 14 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for a discussion of these investments.

Notes Receivable

Reference is made to Note 6 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of our notes receivable.

During February 2011, we made a mezzanine loan for \$3.8 million which accrues interest at 15% and is payable upon a capital event.

Core Portfolio Property Redevelopment and Expansion

Our Core Portfolio redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment. We currently have two properties in the early stages of redevelopment.

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. Under this program we have repurchased 2.1 million Common Shares, none of which were repurchased after December 2001. As of March 31, 2011, management may cause the Company to repurchase up to approximately \$7.5 million of our outstanding Common Shares under this program.

SOURCES OF LIQUIDITY

We intend on using 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, 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 and cash flow from operating activities, (iii) additional property debt financings, (iv) noncontrolling interests' unfunded capital commitments of \$27.8 million for Fund II and \$287.6 million for Fund III, and (v) future sales of existing properties.

During April 2011, Fund III received capital contributions of \$46.5 million to fund the acquisition of The Heritage Shops at Millennium Park and to pay down Fund III's credit facility.

As of March 31, 2011, we had approximately \$64.9 million of additional capacity under existing debt facilities and cash and cash equivalents on hand of \$107.3 million.

Shelf Registration Statements and Issuance of Equity

During April 2009, we filed a shelf registration on Form S-3 providing for offerings of up to a total of \$500.0 million of Common Shares, Preferred Shares and debt securities. We have remaining capacity under this registration statement to issue up to approximately \$430.0 million of these securities.

Asset Sales

Asset sales are an additional source of liquidity for us. During January 2011, the Company completed the sale of a Fund II leasehold interest in the Neiman Marcus location at Oakbrook Center, located in Oak Brook, Illinois, for \$8.2 million. The sale resulted in a gain of \$3.9 million. In March 2010, the Sterling Heights Shopping Center was sold for \$2.3 million.

Notes Receivable

During February 2011, we received a payment of \$1.9 million on a mezzanine loan. Reference is made to Note 6 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of our notes receivable.

Financing and Debt

At March 31, 2011, mortgage and convertible notes payable aggregated \$893.1 million, net of unamortized premium of \$0.1 million and unamortized discount of \$0.8 million, and the mortgages were collateralized by 27 properties and related tenant leases. Interest rates on our outstanding mortgage indebtedness and convertible notes payable ranged from 0.84% to 7.34% with maturities that ranged from June 2011 to November 2032. Taking into consideration \$71.4 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$405.6 million of the portfolio, or 45.4%, was fixed at a 5.64% weighted average interest rate and \$487.5 million, or 54.6% was floating at a 3.10% weighted average interest rate. There is \$420.9 million of debt maturing in 2011 at weighted average interest rates of 2.58%. Of this amount, \$2.0 million represents scheduled annual amortization. \$19.3 million of loans maturing during 2011 provide for extension options, which we believe we will be able to exercise and \$210.5 million represents Fund III subscription line borrowings that are payable from capital calls. As it relates to remaining maturities, we may not have sufficient cash on hand to repay such indebtedness, and, therefore, we expect to refinance at least a portion of this indebtedness or select other alternatives based on market conditions as these loans mature.

Reference is made to Note 8 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of transactions related to mortgage loans, bond financing and credit facilities during the three months ended March 31, 2011.

The following table sets forth certain information pertaining to our secured credit facilities:

(dollars in millions)	Total amount of credit facility	Amount borrowed as of December 31, 2010	Net borrowings (repayments) during the three months ended March 31, 2011	Amount borrowed as of March 31, 2011	Letters of credit outstanding as of March 31, 2011	Amount available under credit facilities as of March 31, 2011
Borrower						
Acadia Realty, LP	\$ 64.5	\$ 1.0	\$ —	\$ 1.0	\$ 8.6	\$ 54.9
Fund II	40.0	40.0	—	40.0	—	—
Fund III	221.0	171.5	39.0	210.5	0.5	10.0
Total	<u>\$ 325.5</u>	<u>\$ 212.5</u>	<u>\$ 39.0</u>	<u>\$ 251.5</u>	<u>\$ 9.1</u>	<u>\$ 64.9</u>

The following table summarizes the Company's mortgage and other secured indebtedness as of March 31, 2011 and December 31, 2010:
(dollars in millions)

Description of Debt and Collateral	March 31, 2011	December 31, 2010	Interest Rate at March 31, 2011	Maturity	Payment Terms
Mortgage notes payable – variable-rate					
Liberty Avenue	\$ 10.0	\$ 10.0	3.49% (LIBOR +3.25%)	9/1/2011	Interest only monthly.
Fordham Place	85.6	85.9	Greater of 1.5%+3.5% or 5.00% (LIBOR +3.5%)	10/4/2011	Interest only monthly.
Tarrytown Shopping Center	8.2	8.4	1.89% (LIBOR +1.65%)	10/30/2011	Interest only monthly.
Branch Shopping Plaza	13.9	13.9	1.54% (LIBOR +1.30%)	12/1/2011	Monthly principal and interest.
Canarsie Plaza	46.9	40.2	Greater of 6.50% or 4.24% (LIBOR +4.00%)	1/12/2012	Interest only monthly.
Village Commons Shopping Center	9.2	9.3	1.64% (LIBOR +1.40%)	6/29/2012	Monthly principal and interest.
161 st Street	28.9	28.9	4.24% (LIBOR +4.00%)	4/1/2013	Interest only monthly.
CityPoint	20.7	20.7	2.74% (LIBOR +2.50%)	8/12/2013	Interest only monthly.
Pelham Manor	34.0	31.6	2.99% (LIBOR +2.75%)	12/1/2013	Monthly principal and interest
Cortlandt Towne Center	50.0	50.0	2.14% (LIBOR +1.90%)	10/26/2015	Monthly principal and interest.
Sub-total mortgage notes payable	<u>307.4</u>	<u>298.9</u>			
Secured credit facilities – variable-rate					
Fund III unfunded investor capital commitments	210.5	171.5	0.84% (LIBOR +0.60%)	10/9/2011	Interest only monthly.
Six Core Portfolio properties	1.0	1.0	1.49% (LIBOR +1.25%)	12/1/2011	Annual principal and monthly interest.
Fund II	40.0	40.0	3.14% (LIBOR +2.90%)	12/22/2014	Interest only monthly.
Sub-total secured credit facilities	<u>251.5</u>	<u>212.5</u>			
Interest rate swaps (1)					
	(71.4)	(71.5)			
Total variable-rate debt	<u>487.5</u>	<u>439.9</u>			
Mortgage notes payable – fixed-rate:					
Five Self-Storage properties	41.5	41.5	5.30%	6/16/2011	Interest only monthly.
Clark Diversey	4.6	4.6	6.35%	7/1/2014	Monthly principal and interest.
New Loudon Center	14.1	14.2	5.64%	9/6/2014	Monthly principal and interest.
CityPoint	20.0	20.0	7.25%	11/1/2014	Interest only quarterly.
Crescent Plaza	17.5	17.6	4.98%	9/6/2015	Monthly principal and interest.
Pacesetter Park Shopping Center	12.1	12.1	5.12%	11/6/2015	Monthly principal and interest.
Elmwood Park Shopping Center	34.1	34.2	5.53%	1/1/2016	Monthly principal and interest.
The Gateway Shopping Center	20.5	20.5	5.44%	3/1/2016	Interest only monthly.
Walnut Hill Plaza				10/1/2016	
	23.5	23.5	6.06%		Interest only monthly until 10/11; monthly principal and interest thereafter.
239 Greenwich Avenue	26.0	26.0	5.42%	2/11/2017	Interest only monthly.
Merrillville Plaza				8/1/2017	
	26.2	26.2	5.88%		Interest only monthly until 7/12 monthly principal and interest thereafter.
216 th Street	25.5	25.5	5.80%	10/1/2017	Interest only monthly.
Atlantic Avenue				1/1/2020	
	11.5	11.5	7.34%		Interest only upon drawdown on construction loan until 1/15 monthly principal and interest thereafter.
A&P Shopping Plaza	8.0	8.0	6.40%	11/1/2032	Monthly principal and interest.
Chestnut Hill	—	9.3	—	—	—
Interest rate swaps (1)	71.4	71.5	4.85%		
Total fixed-rate debt	<u>356.5</u>	<u>366.2</u>			
Unamortized premium	0.1	0.1			
Total	<u>\$ 844.1</u>	<u>\$ 806.2</u>			

(1) Represents the amount of the Company's variable-rate debt that has been fixed through certain cash flow hedge transactions. (Note 7).

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At March 31, 2011, maturities on our mortgage notes payable and convertible notes payable ranged from June 2011 to November 2032. In addition, we have non-cancelable ground leases at 24 of our shopping centers. We also lease space for our corporate headquarters for a term expiring in 2015. The following table summarizes our debt maturities, obligations under non-cancelable operating leases and construction contracts as of March 31 2011:

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Future debt maturities	\$ 893.8	\$ 469.1	\$ 111.9	\$ 195.5	\$ 117.3
Interest obligations on debt	119.4	31.8	41.5	28.8	17.3
Operating lease obligations	170.4	5.4	12.1	10.5	142.4
Construction commitments	25.0	25.0	—	—	—
Total	<u>\$ 1,208.6</u>	<u>\$ 531.3</u>	<u>\$ 165.5</u>	<u>\$ 234.8</u>	<u>\$ 277.0</u>

OFF BALANCE SHEET ARRANGEMENTS

We have investments in the following joint ventures for the purpose of investing in operating properties. We account for these investments using the equity method of accounting as we have a noncontrolling 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 5 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 Operating Partnership	Interest rate at March 31, 2011	Maturity Date
Crossroads	\$ 29.9	5.37%	December 2014
Brandywine	36.9	5.99%	July 2016
White City	6.7	2.84%	December 2017
Lincoln Road	3.9	6.14%	August 2014
Total	<u>\$ 77.4</u>		

In addition, we have arranged for the provision of three separate letters of credit in connection with certain leases and investments. As of March 31, 2011, there were no outstanding balances under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of our exposure would be \$9.1 million.

In addition to our derivative financial instruments, one of our unconsolidated affiliates is a party to two separate interest rate LIBOR swaps with a notional value of \$29.9 million, which effectively fix the interest rate at 5.54% and expire in December 2017. Our pro-rata share of the fair value of the derivative liability totaled \$0.1 million at March 31, 2011.

HISTORICAL CASH FLOW

The following table compares the historical cash flow for the three months ended March 31, 2011 ("2011") with the cash flow for the three months ended March 31, 2010 ("2010")

(dollars in millions)	Three months ended March 31,		
	2011	2010	Change
Net cash provided by operating activities	\$ 4.8	\$ 9.5	\$ (4.7)
Net cash used in investing activities	(49.0)	(11.6)	(37.4)
Net cash provided by (used in) financing activities	31.0	(25.6)	56.6
Total	\$ (13.2)	\$ (27.7)	\$ 14.5

A discussion of the significant changes in cash flow for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 is as follows:

The decrease of \$4.7 million in net cash provided by operating activities was primarily attributable to the following:

Items which contributed to a decrease in cash from operating activities:

- Payment of \$3.9 million in connection with prepaid ground rent at City Point during 2011
- Additional cash of \$3.3 million used during 2011 for income taxes related to our taxable REIT subsidiaries

Items which contributed to an increase in cash from operating activities:

- Additional rents from redevelopment projects placed in service subsequent to March 31, 2010

The increase of \$37.4 million of net cash used in investing activities primarily resulted from the following:

Items which contributed to an increase in cash used in investing activities:

- An increase of \$40.5 million in investments and advances to unconsolidated affiliates during 2011 related to the acquisitions of Lincoln Road and White Oak
- An additional \$3.8 million in advances for notes receivables during 2011
- An increase of \$2.7 million in expenditures for real estate, development and tenant installations during 2011

Items which contributed to a decrease in cash used in investing activities:

- An increase of \$8.0 million in proceeds from the sale of a property during 2011

The \$56.6 million increase in net cash provided by financing activities resulted primarily from the following:

Items which contributed to an increase in cash from financing activities:

- An additional \$48.1 million in borrowings during 2011
- A decrease of \$17.3 million in repayments of mortgage debt during 2011
- A decrease of \$2.4 million in payments for deferred financing costs during 2011

Items which contributed to a decrease in cash from financing activities:

- A decrease of \$11.9 million of contributions from noncontrolling interests during 2011

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 – Management’s Discussion and Analysis of Financial Condition and Results of Operations 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 and cap agreements. As of March 31, 2011, we had total mortgage debt and convertible notes payable of \$893.1 million, net of unamortized premium of \$0.1 million and unamortized discount of \$0.8 million, of which \$405.6 million or 45.4% was fixed-rate, inclusive of interest rate swaps, and \$487.5 million, or 54.6% was variable-rate based upon LIBOR plus certain spreads. As of March 31, 2011, we were a party to seven interest rate swap transactions and one interest rate cap to hedge our exposure to changes in interest rates with respect to \$71.4 million of LIBOR-based variable-rate debt.

Of our total consolidated outstanding debt, \$420.9 million and \$58.1 million will become due in 2011 and 2012, 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 \$4.8 million annually if the interest rate on the refinanced debt increased by 100 basis points. After giving effect to noncontrolling interests, the Company’s share of this increase would be \$1.6 million.

Interest expense on our consolidated variable-rate debt, net of variable to fixed-rate swap agreements currently in effect, as of March 31, 2011 would increase by \$4.9 million annually if LIBOR increased by 100 basis points. After giving effect to noncontrolling interests, the Company’s share of this increase would be \$0.7 million. 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”), our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our 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, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

(b) *Internal Control over Financial Reporting.* There has not been any change in our internal control over financial reporting during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

There have been no material legal proceedings beyond those previously disclosed in our 2010 Form 10-K.

Item 1A. Risk Factors.

The most significant risk factors applicable to us are described in Item 1A of our 2010 Form 10-K. There have been no material changes to those previously-disclosed risk factors.

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved).

Item 5. Other Information.

As previously disclosed in a Form 8-K dated March 11, 2011, we became aware of charges made against Aaron Malinsky, a partner in P/A Associates LLC (“P/A”), which is our venture partner in certain Fund II New York Urban Infill Redevelopment projects. We had no knowledge of any improper or illegal activities related to those projects and have strong policies in place prohibiting illegal or unethical conduct by employees, associates or affiliates. Pursuant to our venture agreement, P/A has been relieved of all operational, decision-making and any other apparent authority related to these projects.

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 duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACADIA REALTY TRUST

May 5, 2011 /s/ Kenneth F. Bernstein
Kenneth F. Bernstein
President and Chief Executive Officer
(Principal Executive Officer)

May 5, 2011 /s/ Michael Nelsen
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)
3.4	Fifth Amendment to Declaration of Trust (9)
3.5	First Amendment the Amended and Restated Bylaws of the Company (9)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (4)
10.41	First Amendment to Building Loan Agreement between Manufacturers and Traders Trust Company ("M&T") and Canarsie Plaza LLC, Supplemental Building Loan Agreement between M&T and Canarsie Plaza LLC, Supplemental Building Loan Mortgage between M&T and Canarsie Plaza LLC, Mortgage Note between M&T and Canarsie Plaza LLC and Mortgage Note between M&T and Canarsie Plaza LLC, all dated January 19, 2011 (5)
10.42	Loan Agreement between Manufacturers and Traders Trust Company ("M&T") and Canarsie Plaza LLC, Mortgage between M&T and Canarsie Plaza LLC, Mortgage Note between M&T and Canarsie Plaza LLC and Mortgage Note between M&T and Canarsie Plaza LLC, all dated January 19, 2011 (5)
10.43	Amended and Restated Severance Agreement, dated April 19, 2011, that was entered into with Christopher Conlon, Senior Vice President, Leasing and Development (5)
10.48	Sixth Amendment to the Employment Agreement between the Company and Kenneth F. Bernstein dated March 7, 2011 (10)
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 (5)
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 (5)
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 (5)
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 (5)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (6)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (6)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (7)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (7)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (8)
99.6	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (7)

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) Filed herewith.
- (6) 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
- (7) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2003
- (8) 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
- (9) 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 March 31, 2009
- (10) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Current Report on Form 8-K filed on March 9, 2011.

FIRST AMENDMENT TO BUILDING LOAN AGREEMENT

THIS FIRST AMENDMENT TO BUILDING LOAN AGREEMENT (the "Amendment") is dated as of January 19, 2011 and is made by and among **Manufacturers and Traders Trust Company**, a New York banking corporation, with offices located at One Fountain Plaza, Buffalo, New York 14203 ("M&T") individually as a lender and as the administrative agent for itself and **Capital One, N.A.**, a lender (the "Co-Lender" and, referred to collectively with M&T as the "Lending Group") and the Lending Group (the "Administrative Agent"), and **Canarsie Plaza LLC**, a limited liability company organized under the laws of the State of Delaware with offices at c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605 (the "Borrower").

WHEREAS, the above-referenced parties have heretofore entered into a Building Loan Agreement dated January 12, 2010 (the "BLA"); and

WHEREAS, Borrower, Administrative Agent and Co-Lender have entered into a Supplemental Loan Agreement of even date herewith (the "Supplemental Building Loan Agreement"), providing for a supplemental loan to be made by Administrative Agent and Co-Lender to Borrower of up to Three Million Dollars (\$3,000,000.00) (the "Additional Amount"). The Additional Amount is evidenced by certain notes of Borrower of even date herewith (collectively, the "Supplemental Building Loan Note") and secured by a supplemental mortgage of even date herewith (the "Supplemental Building Loan Mortgage") on the Premises; and

WHEREAS, Borrower, Administrative Agent and Co-Lender have entered into a Loan Agreement of even date herewith (the "Mortgage Loan Agreement"), providing for a subordinate loan by Administrative Agent and Co-Lender to Borrower of up to Seven Million Dollars (\$7,000,000.00) (the "Mortgage Loan"). The Mortgage Loan is evidenced by certain notes of Borrower of even date herewith (collectively, the "Mortgage Note") and secured by a subordinate mortgage of even date herewith (the "Mortgage Loan Mortgage") on the Premises; and

WHEREAS, the Borrower has requested that the Lending Group amend certain terms and definitions under the BLA and the Lending Group has agreed, on the terms and conditions set forth in this Amendment, to make such amendments.

Unless otherwise indicated, all capitalized terms used herein shall have the meanings ascribed to them in the BLA.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. The definition of "**DSCR**" shall be deleted and replaced in its entirety with the following:
-

“DSCR: The Debt Service Coverage Ratio (“DSCR”) is defined as the ratio of (i) Net Operating Income at the Premises (as the term is defined in the Mortgage) divided by (ii) the aggregate annualized principal and interest payable on the Loan and the Mortgage Loan based on a twenty-five (25) year amortization schedule with an interest rate of the greater of seven (7%) percent or the ten (10) year United States Treasury Obligations plus two (2%) percent. “Net Operating Income” means the amount by which Operating Revenues exceed Operating Expenses.”

2. The definition of **“Loan”** shall be modified to include the Additional Amount.

3. The definition of **“Loan Documents”** shall be deleted and replaced in its entirety with the following:

“Loan Documents: This Agreement, the Supplemental Building Loan Agreement, the Mortgage Loan Agreement, the Note, the Supplemental Building Loan Note, the Mortgage Note, the Mortgage, the Supplemental Building Loan Mortgage, the Mortgage Loan Mortgage, the Survey, the Title Insurance Policy, the Guarantees, the Indemnity and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Administrative Agent in connection with the Loan and the Mortgage Loan.”

4. The definition of **“Operating Expenses”** shall be deleted and replaced in its entirety with the following:

“Operating Expenses: All reasonable and necessary expenses of operating the Project in the ordinary course of business calculated in accordance with GAAP which are directly associated with and fairly allocable to the Project for the applicable period, including annualized real estate taxes and assessments, capital expenditures at an imputed rate of \$0.10 per square foot on an annualized basis of gross leasable area at the Premises, annualized insurance premiums, maintenance costs, management fees and costs in an amount equal to the greater of the management fees and costs actually paid or an imputed rate of three percent (3%) of Operating Revenues, accounting, legal, and other professional fees, fees relating to environmental audits, and other expenses incurred by Administrative Agent and reimbursed by Borrower under this Agreement and the other Loan Documents, deposits to any capital replacement reserves required by Administrative Agent, wages, salaries, and personnel expenses, but excluding debt service on the Loan or the Mortgage Loan, capital expenditures, any of the foregoing expenses which are paid from deposits to cash reserves previously included as Operating Expenses, any payment or expense for which Borrower was or is to be reimbursed from proceeds of the Loan or insurance or by any third party, and any non-cash charges such as depreciation and amortization. Any management fee or other expense payable to Borrower or to an Affiliate of Borrower shall be included as an Operating Expense only with Administrative Agent’s prior approval. Operating Expenses shall not include federal, state or local income taxes or legal and other professional fees unrelated to the operation of the Project.”

5. The definition of **“Operating Revenues”** shall be deleted and replaced in its entirety with the following:

“Operating Revenues: All cash receipts of Borrower from operation of the Project or otherwise arising in respect of the Project after January 12, 2010 which are properly allocable to the Project for the applicable period (subject to an underwritten market vacancy rate of not less than 8%), including receipts from leases and parking agreements, concession fees and charges and other miscellaneous operating revenues, proceeds from rental or business interruption insurance, withdrawals from cash reserves (except to the extent any operating expenses paid therewith are excluded from Operating Expenses), in all cases, determined in accordance with generally acceptable accounting principles (“GAAP”) but without taking into account straight-lining of rents and extraordinary revenues (including, but not limited to, lease termination payments) and FAS 141R adjustments, but excluding (a) all rent and other revenues received during the applicable period from tenants that, at any time during the applicable period, are subject to a bankruptcy proceeding, unless such bankruptcy proceeding has been closed, and the subject tenant has not been discharged from its obligations under the subject lease and/or the rental payments due and/or paid by such tenant to Borrower cannot be disgorged from Borrower, (b) rent and other revenues from tenants that have not made the appropriate payment of rent under their respective leases for more than thirty (30) days, provided, however that if a tenant is disputing, in good faith, recoverables or a reconciliation thereof, only the portion that is being disputed shall be excluded, (c) rent and other revenues from tenants under leases which have remaining terms of less than twelve (12) months from the date of calculation, (d) rents and other revenues from tenants that are not operating in a substantial portion of such tenant’s premises, (e) security deposits and earnest money deposits until they are forfeited by the depositor, (f) advance rentals (i.e. more than thirty (30) days in advance) until they are earned, (g) lump sum lease buy-out payments made by tenants in connection with any surrender, cancellation or termination of their lease, (h) rents and other revenues from Affiliates of Borrower and/or Guarantor, and (i) proceeds from a sale or other disposition.”

(f) Section 7.3(b)(viii) shall be modified to include the Additional Amount.

(g) Section 7.3(c)(1) shall be deleted and replaced in its entirety with the following:

“(1) the Building Loan will convert to a mini-permanent commercial mortgage loan with a three (3) year term (“**Permanent Maturity Date**”), amortized over a twenty-five (25) year period with level principal and interest payments, calculated on the outstanding principal balance;”

6. Section 8.1.10 of the BLA shall be deleted and replaced in its entirety with the following:

“An Event of Default shall occur under the Mortgage, or a default, together with the expiration of any applicable grace and cure period, shall occur under any of the other Loan Documents or under any of the documents executed in connection with the Mortgage Loan or any other mortgage loans by the Lending Group to the Borrower;”

7. It is expressly understood and agreed that all collateral security for the Loan as set forth in the Loan Documents prior to this Amendment is and shall continue to be collateral security for the Loan provided for in the BLA as herein amended. Without limiting the generality of the foregoing, the Borrower hereby absolutely and unconditionally confirms that the BLA, the other Loan Documents and any other document or instrument executed by or for the benefit of the Borrower pursuant to the BLA continue in full force and effect, are ratified and confirmed and are and shall continue to be applicable to the BLA, as herein amended.

8. In order to induce the Lender to enter into this Amendment, the Borrower represents and warrants to the Lender that each of the representations and warranties made in the BLA is true and correct as of the date hereof except as otherwise set forth in a writing to which the Lender is a party.

9. No modification or waiver of any of the provisions of this Amendment or any other agreement or instrument made or issued pursuant to this Amendment or contemplated hereby, nor consent to any departure by the Borrower therefrom shall, in any event, be effective unless made in writing and signed by the Lender and the Borrower, and then any such modification or waiver shall be effective only in the specific instance and purpose for which given unless otherwise specified therein. No notice to, or demand on, the Borrower in any case shall, of itself, entitle it to further notice or demand in similar circumstances.

10. The Amendment set forth herein is limited precisely as written and shall not be deemed to (a) be a consent to or waiver of any other term or condition of the BLA or of any of the documents referred to therein, or (b) prejudice any right or rights which the Lender may now have or may have in the future or in connection with the BLA or any of the documents referred to therein.

11. This Amendment shall be governed by and construed, interpreted and enforced in accordance with the internal laws of the State of New York, without regard to principles of conflict of laws.

12. All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such term in the BLA.

13. The Borrower shall pay all legal fees and disbursements incurred by the Lender in connection with the preparation of this Amendment.

14. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed by the party against whom enforcement thereof is sought, shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Attached hereto as EXHIBIT A is a Lien Law Statement in conformity with Section 22 of the New York Lien Law.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

CANARSIE PLAZA LLC

By: /s/ Robert Masters
Name: **Robert Masters**
Title: **Senior Vice President**

ADMINISTRATIVE AGENT:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ John Stroligo
Name: **John Stroligo**
Title: **Vice President**

THE LENDING GROUP:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ John Stroligo
Name: **John Stroligo**
Title: **Vice President**

CAPITAL ONE, N.A.

By: /s/ Peter Welch
Name: **Peter Welch**
Title: **Senior Vice President**

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 19 day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Paul J. Richards Paul J. Richards
Notary Public Notary Public, State of New York
No. 604743465
Qualified in Westchester County
Commission Expires April 30, 2011

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 19 day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **John Stroligo**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Paul J. Richards Paul J. Richards
Notary Public Notary Public, State of New York
No. 604743465
Qualified in Westchester County
Commission Expires April 30, 2011

STATE OF NEW YORK)
 : ss.
COUNTY OF NEW YORK)

On the 19th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Peter Welch** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Jaime Lee Gross Jaime Lee Gross
Notary Public Notary Public-State of New York
No. 01GR6135575
Qualified in Westchester County
My Commission Expires February 22, 2014



First American Title Insurance Company

Title No. 3008-327413

SCHEDULE "A"

PARCEL 1

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOT 1 & LOT 7, BLOCK 7920;

2. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 216.67 FEET TO A POINT, THENCE;

3. NORTH 18° - 59' - 57" EAST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

4. NORTH 41° 29' 51" WEST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE; THE FOLLOWING FOURTEEN (14) COURSES ALONG THE LINE DIVIDING LOTS 1 AND 6, BLOCK 7920:

5. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;

6. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;

7. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

8. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;

9. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

10. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;

11. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

12. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

13. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

14. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

16. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

18. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;
19. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 50.89 FEET TO A POINT IN THE DIVIDING LINE BETWEEN SAID LOT 1 AND LOT 20, BLOCK 7920, THENCE; ALONG SAID DIVIDING LINE THE FOLLOWING SIX (6) COURSES:
 20. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 656.37 FEET TO A POINT, THENCE;
 21. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE;
 22. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;
 23. NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;
 24. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;
 25. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT ON THE DIVIDING LINE BETWEEN THE AFOREMENTIONED LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 26. NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;
 27. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 614.80 FEET TO A POINT ON THE DIVIDING LINE OF AFOREMENTIONED LOT 1, BLOCK 7920 AND LOT 5, BLOCK 7920, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 28. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 80.40 FEET TO A POINT, THENCE;
 29. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 105.20 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 30. ALONG THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 37.40 FEET TO A POINT IN THE DIVIDING LINE OF LOT 1 AND LOT 4, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE DIVIDING LINE:
 31. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 80.20 FEET TO A POINT, THENCE;
 32. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 181.90 FEET TO A POINT, THENCE;
 33. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 34. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 88.15 FEET TO A POINT, FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;
 35. ALONG THE WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 45.72 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 3, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

36. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
37. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 93.90 FEET TO A POINT, THENCE;
38. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF AFOREMENTIONED AVENUE "D", THENCE;
39. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 36.50 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 2, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:
 40. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
 41. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO A POINT, THENCE;
 42. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF SAID AVENUE "D", THENCE;
43. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 429.18 FEET TO A POINT, THENCE;
44. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 2

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT NORTH 12° - 50' - 49" EAST, A DISTANCE OF 429.19 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 2 AND LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH 12° - 50' - 49" EAST, A DISTANCE OF 106.10 FEET TO A POINT;
3. THENCE SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY SIDE OF AFOREMENTIONED AVENUE "D";

THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 3

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 45.72 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 93.90 FEET TO A POINT;

THENCE THROUGH THE INTERIOR OF LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH $77^{\circ} - 09' - 11''$ WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH $12^{\circ} - 50' - 49''$ EAST, A DISTANCE OF 93.90 FEET TO A POINT;
3. THENCE SOUTH $77^{\circ} - 09' - 11''$ EAST, A DISTANCE OF 73.20 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 4

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 88.14 FEET FROM A POINT FORMED BY THE INTERSECTION OF WESTERLY LINE OF AVENUE "D" (80 FEET WIDE) WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 4, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.20 FEET TO A POINT;
2. THENCE NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 181.90 FEET TO A POINT;
3. THENCE NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE;

THENCE ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 181.90 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 5

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 307.45 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920, THE FOLLOWING TWO (2) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 105.20 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

2. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.40 FEET TO THE POINT OF INTERSECTION FORMED BY THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE;

3. ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 105.20 FEET TO A POINT IN THE WESTERLY LINE OF AFOREMENTIONED REMSEN AVENUE, THENCE;

4. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.40 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 6

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

A. NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;

B. ALONG SAID DIVIDING LINE BETWEEN LOTS 1 & 7 AND LOT 20, BLOCK 7920, NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 218.72 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; THE FOLLOWING TWO (2) COURSES RUNNING ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 20, BLOCK, 7920:

1. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 358.28 FEET TO A POINT, THENCE;

2. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 128.63 FEET TO A POINT, THENCE; THE FOLLOWING NINE (9) COURSES ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 1, BLOCK 7920:

3. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 50.89 FEET TO A POINT, THENCE;

4. SOUTH $48^{\circ} - 30' - 09''$ WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

5. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

6. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

7. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

8. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

9. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

10. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

11. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;
12. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;
13. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
14. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;
15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
16. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;
17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;
18. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 314.25 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 7

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

A. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;

B. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 7 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 65.58 FEET TO A POINT, THENCE;

2. ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 7, BLOCK 7920, NORTH 48° - 30' - 09" EAST, A DISTANCE OF 314.25 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOTS 7 AND 1, BLOCK 7920:

3. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE;

4. SOUTH 18° - 59' - 57" WEST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

5. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 216.67 FEET TO THE POINT AND PLACE OF BEGINNING.

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

PERIMETER DESCRIPTION OF PARCELS 1, 2, 3, 4, 5, 6 AND 7

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 577.00 FEET TO A POINT, THENCE;

SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 785.00 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE BETWEEN LOT 1, BLOCK 7920 AND THE LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD:

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;

NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT, THENCE;

NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;

NORTH 48° - 30' - 00" EAST, A DISTANCE OF 720.00 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 387.85 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 711.40 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE FOREMENTIONED NORTHERLY LINE OF FOSTER AVENUE, THENCE;

ALONG SAID NORTHERLY LINE OF FOSTER AVENUE, SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

THE policy to be issued under this report will insure the title to such buildings and improvements erected on the premises, which by law constitute real property.

FOR CONVEYANCING ONLY: TOGETHER with all the right, title and interest of the party of the first part, of in and to the land lying in the street in front of and adjoining said premises.

**AMENDED AND RESTATED SECTION 22 – LIEN LAW AFFIDAVIT
MANUFACTURERS AND TRADERS TRUST COMPANY**

STATE OF NEW YORK)
 : SS.
COUNTY OF WESTCHESTER)

Robert Masters being duly sworn deposes and says that:

1. He is the Senior Vice President of **CANARSIE PLAZA LLC**, a limited liability company having an office and principal place of business at c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605 (the "Borrower");
2. The Borrower has entered into the Building Loan Agreement with Manufacturers and Traders Trust Company, a New York banking corporation, with an office located at One Fountain Plaza, Buffalo, New York 14203-2399 individually as a lender and as the administrative agent for itself and Capital One, N.A. (the "Co-Lender" and, referred to collectively with M&T as the "Lending Group") and the Lending Group (the "Administrative Agent"), dated as of January 12, 2010, as amended by the annexed First Amendment to Building Loan Agreement by and among the Borrower, the Administrative and the Lending Group, dated as of January 19, 2011 (collectively, the "Building Loan Agreement");
3. The Building Loan Agreement relates to the construction of a certain facilities located in the State of New York, County of Kings and Borough of Brooklyn described with more particularity in the Building Loan Agreement (the "Improvement");
4. The amount of the building loan described in the Building Loan Agreement is \$48,000,000 (the "Building Loan");
5. The consideration paid, or to be paid, for the Building Loan has been paid, or will be paid by Borrower out of equity;
6. The expenses incurred or to be incurred in connection with the Building Loan are as follows:

(a)	Real Property Taxes and Assessments during construction (est.)	\$	738,378.00
(b)	Interest Reserve	\$	1,800,000.00
(c)	Property Insurance Premiums during construction (est.)	\$	21,000.00
(d)	Architectural and Engineering Fees (est.)	\$	505,006.00
(e)	Construction Contingency	\$	5,538,188.00
(f)	Construction Management Fee	\$	2,698,841.00
(g)	Real estate brokerage leasing commissions	\$	812,738.00
(h)	Administrative Agent Fee	\$	25,000.00
(i)	Construction Monitoring Fee	\$	35,000.00
TOTAL EXPENSES		\$	12,174,151.00

Certain of the foregoing amounts are based upon good faith estimates of expenses not yet incurred, and certain items listed above may cost more or less than such estimates. The Borrower reserves the right, subject to the approval of the Administrative Agent, to use unexpended amounts from any of said items to defray the increases incurred in any other item or items listed above so long as the total amount of such expenses do not exceed the total amount of said items shown above.

7. The amount, if any, to be advanced from the Building Loan to repay amounts previously advanced to the Borrower pursuant to Notices of Lending for costs of improvement is **\$0**;
8. The amount, if any, to be advanced from the Building Loan to reimburse the Borrower for costs of improvement expended by the Borrower after the commencement of the Improvement but prior to the date hereof are itemized as follows:

	\$	0
TOTAL	\$	0

9. The net sum available to the Borrower from the Building Loan for the Improvement is
- (a) Amounts previously paid to contractors, subcontractors, laborers and materialmen for the Improvement is \$34,580,288.00;
 - (b) Amounts available to Borrower to pay contractors, subcontractors, laborers and materialmen on and after the date hereof is \$1,245,561.00
10. This statement is made pursuant to and in compliance with Section 22 of the Lien Law of the State of New York, as amended;
11. The facts stated above and any costs itemized on this statement are true and accurate.

Canarsie Plaza LLC

By: /s/ Robert Masters
Name: **Robert Masters**
Title: **Senior Vice President**

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 19 day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert Masters personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Paul J. Richards
Notary Public

Paul J. Richards
Notary Public, State of New York
No. 604743465
Qualified in Westchester County
Commission Expires April 30, 2011

Administrative Agent: **MANUFACTURERS AND TRADERS TRUST COMPANY**,
a New York banking corporation, with offices located at One Fountain Plaza, Buffalo,
New York 14203 ("**M&T**")
individually as a lender and as the administrative agent for itself and
CAPITAL ONE, N.A., a lender
(the "**Co-Lender**" and, referred to collectively with M&T as the "**Lending Group**")
and the Lending Group (the "**Administrative Agent**")

Borrower: **CANARSIE PLAZA LLC**, a limited liability company organized under the laws of the State of Delaware.

Date of Building
Loan Agreement: January 12, 2010

Original Amount: Up to \$48,000,000.00

Date of Notes: January 12, 2010

Additional Amount: \$3,000,000.00

Guarantor: **Acadia Strategic Opportunity Fund II, LLC**, a limited liability company organized under the laws of the State of Delaware.

Recital

Borrower, Administrative Agent and Co-Lender have entered into a Building Loan Agreement dated as set forth above (the "**BLA**"), providing for a loan (the "**Original Loan**") by Administrative Agent and Co-Lender to Borrower of up to the Original Amount. The Original Loan is evidenced by certain notes of Borrower dated as set forth above (collectively, the "**Note**") and secured by a mortgage of even date therewith (the "**Mortgage**") on premises described in Schedule A annexed thereto (the "**Premises**"). Borrower has applied to Administrative Agent and Co-Lender, and Administrative Agent and Co-Lender have agreed, to increase the Original Amount of the Original Loan by the Additional Amount, on the conditions hereinafter set forth.

Furthermore, Borrower, Administrative Agent and Co-Lender have entered into a Loan Agreement of even date herewith (the "**Mortgage Loan Agreement**"), providing for a loan by Administrative Agent and Co-Lender to Borrower of up to Seven Million Dollars (\$7,000,000.00) (the "**Mortgage Loan**"). The Mortgage Loan is evidenced by certain notes of Borrower of even date herewith (collectively, the "**Mortgage Note**") and secured by a subordinate mortgage of even date herewith (the "**Mortgage Loan Mortgage**") on the Premises. Administrative Agent and Co-Lender have agreed, to make the Mortgage Loan, on the conditions set forth in the Mortgage Loan Agreement.

Unless otherwise indicated, all capitalized terms used herein shall have the meanings ascribed to them in the BLA.

NOW, THEREFORE, the parties hereto agree as follows:

1. Administrative Agent and Co-Lender agree that the Original Loan to be made by it pursuant to the BLA shall be increased by the Additional Amount provided, however, that up to \$1,437,500.00 will be lent by the Co-Lender and up to \$1,562,500.00 will be lent by M&T.

2. Administrative Agent and Co-Lender's obligation to lend the Additional Amount shall be subject to (i) the execution and delivery by Borrower to Administrative Agent and Co-Lender of certain notes in the aggregate in the Additional Amount and supplemental mortgage of the Premises, in the Additional Amount, together with related financing statements, if necessary (ii) the execution and delivery by Guarantor of an amendment, reaffirmation or supplement to its Guarantees, (iii) the execution and delivery by Borrower and Guarantor of a reaffirmation of that certain Environmental Compliance and Indemnification Agreement dated January 12, 2010 (as reaffirmed, the "Indemnity") and (iv) Administrative Agent's receipt of such additional documents and/or certificates as may be required in its reasonable discretion, all of the foregoing to be in form and substance satisfactory to Administrative Agent and its counsel.

Upon the execution of the documents aforesaid the references in the BLA to the Note, Mortgage, and Guarantees shall be deemed to include said instruments as modified, reaffirmed or supplemented by the instruments required to be executed pursuant hereto.

3. The BLA shall be modified as follows:

(a) The definition of "DSCR" shall be deleted and replaced in its entirety with the following:

"DSCR: The Debt Service Coverage Ratio ("DSCR") is defined as the ratio of (i) Net Operating Income at the Premises (as the term is defined in the Mortgage) divided by (ii) the aggregate annualized principal and interest payable on the Loan and the Mortgage Loan based on a twenty-five (25) year amortization schedule with an interest rate of the greater of seven (7%) percent or the ten (10) year United States Treasury Obligations plus two (2%) percent. "Net Operating Income" means the amount by which Operating Revenues exceed Operating Expenses."

(b) The definition of "Loan" shall be modified to include the Additional Amount.

(c) The definition of "Loan Documents" shall be deleted and replaced in its entirety with the following:

“Loan Documents: This Agreement, the Supplemental Building Loan Agreement, the Mortgage Loan Agreement, the Note, the Mortgage Loan Note, the Mortgage, the Mortgage Loan Mortgage, the Survey, the Title Insurance Policy, the Guarantees, the Indemnity and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Administrative Agent in connection with the Loan.”

(d) The definition of **“Operating Expenses”** shall be deleted and replaced in its entirety with the following:

“Operating Expenses: All reasonable and necessary expenses of operating the Project in the ordinary course of business calculated in accordance with GAAP which are directly associated with and fairly allocable to the Project for the applicable period, including annualized real estate taxes and assessments, capital expenditures at an imputed rate of \$0.10 per square foot on an annualized basis of gross leasable area at the Premises, annualized insurance premiums, maintenance costs, management fees and costs in an amount equal to the greater of the management fees and costs actually paid or an imputed rate of three percent (3%) of Operating Revenues, accounting, legal, and other professional fees, fees relating to environmental audits, and other expenses incurred by Administrative Agent and reimbursed by Borrower under this Agreement and the other Loan Documents, deposits to any capital replacement reserves required by Administrative Agent, wages, salaries, and personnel expenses, but excluding debt service on the Loan or the Mortgage Loan, capital expenditures, any of the foregoing expenses which are paid from deposits to cash reserves previously included as Operating Expenses, any payment or expense for which Borrower was or is to be reimbursed from proceeds of the Loan or insurance or by any third party, and any non-cash charges such as depreciation and amortization. Any management fee or other expense payable to Borrower or to an Affiliate of Borrower shall be included as an Operating Expense only with Administrative Agent’s prior approval. Operating Expenses shall not include federal, state or local income taxes or legal and other professional fees unrelated to the operation of the Project.”

(e) The definition of **“Operating Revenues”** shall be deleted and replaced in its entirety with the following:

“Operating Revenues: All cash receipts of Borrower from operation of the Project or otherwise arising in respect of the Project after January 12, 2010 which are properly allocable to the Project for the applicable period (subject to an underwritten market vacancy rate of not less than 8%), including receipts from leases and parking agreements, concession fees and charges and other miscellaneous operating revenues, proceeds from rental or business interruption insurance, withdrawals from cash reserves (except to the extent any operating expenses paid therewith are excluded from Operating Expenses), in all cases, determined in accordance with generally acceptable accounting principles (“GAAP”) but without taking into account straight-lining of rents and extraordinary revenues (including, but not limited to, lease termination payments) and FAS 141R adjustments, but excluding (a) all rent and other revenues received during the applicable period from tenants that, at any time during the applicable period, are subject to a bankruptcy proceeding, unless such bankruptcy proceeding has been closed, and the subject tenant has not been discharged from its obligations under the subject lease and/or the rental payments due and/or paid by such tenant to Borrower cannot be disgorged from Borrower, (b) rent and other revenues from tenants that have not made the appropriate payment of rent under their respective leases for more than thirty (30) days, provided, however that if a tenant is disputing, in good faith, recoverables or a reconciliation thereof, only the portion that is being disputed

shall be excluded, (c) rent and other revenues from tenants under leases which have remaining terms of less than twelve (12) months from the date of calculation, (d) rents and other revenues from tenants that are not operating in a substantial portion of such tenant's premises, (e) security deposits and earnest money deposits until they are forfeited by the depositor, (f) advance rentals (i.e. more than thirty (30) days in advance) until they are earned, (g) lump sum lease buy-out payments made by tenants in connection with any surrender, cancellation or termination of their lease, (h) rents and other revenues from Affiliates of Borrower and/or Guarantor, and (i) proceeds from a sale or other disposition."

(f) Section 7.3(b)(viii) shall be modified to include the Additional Amount.

(g) Section 7.3(c)(1) shall be deleted and replaced in its entirety with the following:

"(1) the Building Loan will convert to a mini-permanent commercial mortgage loan with a three (3) year term ("**Permanent Maturity Date**"), amortized over a twenty-five (25) year period with level principal and interest payments, calculated on the outstanding principal balance;"

(h) Section 8.1.10 of the BLA shall be deleted and replaced in its entirety with the following:

"An Event of Default shall occur under the Mortgage, or a default, together with the expiration of any applicable grace and cure period, shall occur under any of the other Loan Documents or under any of the documents executed in connection with the Mortgage Loan or any other mortgage loans by the Lending Group to the Borrower;"

4. The BLA and this Supplemental Building Loan Agreement shall be read together as one instrument and, except as modified hereby, the BLA shall continue in full force and effect and the amount of the Loan provided for therein as increased hereby shall be advanced in accordance with the terms thereof.

Attached hereto as EXHIBIT A is a Lien Law Statement in conformity with Section 22 of the New York Lien Law, evidencing the Loan Amount as increased by the Additional Amount.

[Remainder of page intentionally left blank.]

BORROWER:

CANARSIE PLAZA LLC

By: /s/ Robert Masters
Name: **Robert Masters**
Title: **Senior Vice President**

ADMINISTRATIVE AGENT:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ John Stroligo
Name: **John Stroligo**
Title: **Vice President**

THE LENDING GROUP:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ John Stroligo
Name: **John Stroligo**
Title: **Vice President**

CAPITAL ONE, N.A.

By: /s/ Peter Welch
Name: **Peter Welch**
Title: **Senior Vice President**

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert Masters personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 19 day of January, in the year 2011 before me, the undersigned, a Notary Public in and for said State, personally appeared **John Stroigo**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Paul J. Richards
Notary Public

Paul J. Richards
Notary Public, State of New York
No. 604743465
Qualified in Westchester County
Commission Expires April 30, 2011

STATE OF NEW YORK)
 : ss.
COUNTY OF SUFFOLK)

On the 11th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Peter Welch** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Adrienne M. Formica
Notary Public

Adrienne M. Formica
Notary Public – State of New York
No. 01FO6206507
Qualified in Queens County
My Commission Expires May 18, 2013



First American Title Insurance Company

Title No. 3008-327413

SCHEDULE "A"

PARCEL 1

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOT 1 & LOT 7, BLOCK 7920;

2. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 216.67 FEET TO A POINT, THENCE;

3. NORTH 18° - 59' - 57" EAST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

4. NORTH 41° 29' 51" WEST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE; THE FOLLOWING FOURTEEN (14) COURSES ALONG THE LINE DIVIDING LOTS 1 AND 6, BLOCK 7920:

5. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;

6. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;

7. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

8. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;

9. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

10. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;

11. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

12. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

13. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

14. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

16. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

18. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;
19. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 50.89 FEET TO A POINT IN THE DIVIDING LINE BETWEEN SAID LOT 1 AND LOT 20, BLOCK 7920, THENCE; ALONG SAID DIVIDING LINE THE FOLLOWING SIX (6) COURSES:
 20. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 656.37 FEET TO A POINT, THENCE;
 21. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE;
 22. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;
 23. NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;
 24. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;
 25. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT ON THE DIVIDING LINE BETWEEN THE AFOREMENTIONED LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 26. NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;
 27. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 614.80 FEET TO A POINT ON THE DIVIDING LINE OF AFOREMENTIONED LOT 1, BLOCK 7920 AND LOT 5, BLOCK 7920, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 28. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 80.40 FEET TO A POINT, THENCE;
 29. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 105.20 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 30. ALONG THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 37.40 FEET TO A POINT IN THE DIVIDING LINE OF LOT 1 AND LOT 4, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE DIVIDING LINE:
 31. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 80.20 FEET TO A POINT, THENCE;
 32. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 181.90 FEET TO A POINT, THENCE;
 33. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 34. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 88.15 FEET TO A POINT, FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;
 35. ALONG THE WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 45.72 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 3, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

36. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
37. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 93.90 FEET TO A POINT, THENCE;
38. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF AFOREMENTIONED AVENUE "D", THENCE;
39. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 36.50 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 2, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:
 40. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
 41. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO A POINT, THENCE;
 42. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF SAID AVENUE "D", THENCE;
43. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 429.18 FEET TO A POINT, THENCE;
44. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 2

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT NORTH 12° - 50' - 49" EAST, A DISTANCE OF 429.19 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 2 AND LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH 12° - 50' - 49" EAST, A DISTANCE OF 106.10 FEET TO A POINT;
3. THENCE SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY SIDE OF AFOREMENTIONED AVENUE "D";

THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 3

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 45.72 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 93.90 FEET TO A POINT;

THENCE THROUGH THE INTERIOR OF LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH $77^{\circ} - 09' - 11''$ WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH $12^{\circ} - 50' - 49''$ EAST, A DISTANCE OF 93.90 FEET TO A POINT;
3. THENCE SOUTH $77^{\circ} - 09' - 11''$ EAST, A DISTANCE OF 73.20 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 4

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 88.14 FEET FROM A POINT FORMED BY THE INTERSECTION OF WESTERLY LINE OF AVENUE "D" (80 FEET WIDE) WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 4, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.20 FEET TO A POINT;
2. THENCE NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 181.90 FEET TO A POINT;
3. THENCE NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE;

THENCE ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 181.90 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 5

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 307.45 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920, THE FOLLOWING TWO (2) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 105.20 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

2. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.40 FEET TO THE POINT OF INTERSECTION FORMED BY THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE;

3. ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 105.20 FEET TO A POINT IN THE WESTERLY LINE OF AFOREMENTIONED REMSEN AVENUE, THENCE;

4. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.40 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 6

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

A. NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;

B. ALONG SAID DIVIDING LINE BETWEEN LOTS 1 & 7 AND LOT 20, BLOCK 7920, NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 218.72 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; THE FOLLOWING TWO (2) COURSES RUNNING ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 20, BLOCK, 7920:

1. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 358.28 FEET TO A POINT, THENCE;

2. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 128.63 FEET TO A POINT, THENCE; THE FOLLOWING NINE (9) COURSES ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 1, BLOCK 7920:

3. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 50.89 FEET TO A POINT, THENCE;

4. SOUTH $48^{\circ} - 30' - 09''$ WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

5. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

6. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

7. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

8. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

9. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

10. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

11. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;
12. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;
13. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
14. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;
15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
16. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;
17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;
18. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 314.25 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 7

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

A. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;

B. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 7 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 65.58 FEET TO A POINT, THENCE;

2. ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 7, BLOCK 7920, NORTH 48° - 30' - 09" EAST, A DISTANCE OF 314.25 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOTS 7 AND 1, BLOCK 7920:

3. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE;

4. SOUTH 18° - 59' - 57" WEST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

5. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 216.67 FEET TO THE POINT AND PLACE OF BEGINNING.

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

PERIMETER DESCRIPTION OF PARCELS 1, 2, 3, 4, 5, 6 AND 7

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 577.00 FEET TO A POINT, THENCE;

SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 785.00 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE BETWEEN LOT 1, BLOCK 7920 AND THE LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD:

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;

NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT, THENCE;

NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;

NORTH 48° - 30' - 00" EAST, A DISTANCE OF 720.00 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 387.85 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 711.40 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE FOREMENTIONED NORTHERLY LINE OF FOSTER AVENUE, THENCE;

ALONG SAID NORTHERLY LINE OF FOSTER AVENUE, SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

THE policy to be issued under this report will insure the title to such buildings and improvements erected on the premises, which by law constitute real property.

FOR CONVEYANCING ONLY: TOGETHER with all the right, title and interest of the party of the first part, of in and to the land lying in the street in front of and adjoining said premises.

SECTION 22 – LIEN LAW AFFIDAVIT
 MANUFACTURERS AND TRADERS TRUST COMPANY

STATE OF NEW YORK)
) : SS.
 COUNTY OF WESTCHESTER)

Robert Masters being duly sworn deposes and says that:

1. He is the Senior Vice President of CANARSIE PLAZA LLC, a limited liability company having an office and principal place of business at c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605 (the "Borrower");
2. The Borrower has entered into the annexed Supplemental Building Loan Agreement with Manufacturers and Traders Trust Company, a New York banking corporation, with an office located at One Fountain Plaza, Buffalo, New York 14203-2399 individually as a lender and as the administrative agent for itself and Capital One, N.A. (the "Co-Lender" and, referred to collectively with M&T as the "Lending Group") and the Lending Group (the "Administrative Agent") (the "Building Loan Agreement");
3. The Building Loan Agreement relates to the construction of a certain facilities located in the State of New York, County of Kings and Borough of Brooklyn described with more particularity in the Building Loan Agreement (the "Improvement");
4. The amount of the building loan described in the Building Loan Agreement is \$3,000,000 (the "Building Loan");
5. The consideration paid, or to be paid, for the Building Loan has been paid, or will be paid by Borrower out of equity;
6. The expenses incurred or to be incurred in connection with the Building Loan are as follows:

(a)	Real Property Taxes and Assessments during construction (est.)	\$	.00
(b)	Interest Reserve	\$	.00
(c)	Property Insurance Premiums during construction (est.)	\$	.00
(d)	Architectural and Engineering Fees (est.)	\$	.00
(e)	Construction Contingency	\$	.00
(f)	Construction Management Fee	\$	.00
(g)	Real estate brokerage leasing commissions	\$	.00
(h)	Administrative Agent Fee	\$	.00
(i)	Construction Monitoring Fee	\$	.00
TOTAL EXPENSES		\$	.00

Certain of the foregoing amounts are based upon good faith estimates of expenses not yet incurred, and certain items listed above may cost more or less than such estimates. The Borrower reserves the right, subject to the approval of the Administrative Agent, to use unexpended amounts from any of said items to defray the increases incurred in any other item or items listed above so long as the total amount of such expenses do not exceed the total amount of said items shown above.

7. The amount, if any, to be advanced from the Building Loan to repay amounts previously advanced to the Borrower pursuant to Notices of Lending for costs of improvement is \$0.
8. The amount, if any, to be advanced from the Building Loan to reimburse the Borrower for costs of improvement expended by the Borrower after the commencement of the Improvement but prior to the date hereof are itemized as follows:

	\$	0
TOTAL	\$	0

9. The net sum available to the Borrower from the Building Loan for the Improvement is \$3,000,000.00
10. This statement is made pursuant to and in compliance with Section 22 of the Lien Law of the State of New York, as amended;
11. The facts stated above and any costs itemized on this statement are true and accurate.

Canarsie Plaza LLC

By: /s/ Robert Masters
 Name: **Robert Masters**
 Title: **Senior Vice President**

STATE OF NEW YORK)
) : ss.
 COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert Masters personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
 Notary Public

Debra Leibler-Jones
 Notary Public No. 01LE6005994
 Qualified in Dutchess County, New York
 Commission Expires 04/20/2014



SUPPLEMENTAL BUILDING LOAN MORTGAGE

Date: January 19, 2011

Mortgagor: CANARSIE PLAZA LLC

(Organizational Structure): limited liability company

(State Law organized under): Delaware

(Organizational Identification Number): 4343270

(Address of chief executive office): c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

Mortgagee: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation having offices at One M&T Plaza, Buffalo, New York 14203, Attn: Office of General Counsel ("**M&T**"), as the administrative agent for itself and **Capital One, N.A.** (the "**Co-Lender**" and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group (the "**Mortgagee**").

WITNESSETH, to secure the payment of an indebtedness in the principal sum of **Three Million Dollars (\$3,000,000.00)**, lawful money of the United States, together with interest thereon and other charges with respect thereto, to be paid according to certain bonds, notes or other obligations dated as of the date hereof, made and delivered by Mortgagor to Mortgagee (the "Note"), Mortgagor hereby mortgages to Mortgagee, as continuing and collateral security for the payment of any and all indebtedness, liabilities and obligations of Mortgagor to Mortgagee, now existing or which may hereafter arise pursuant to or in connection with (as further described below) the Note, this Supplemental Building Loan Mortgage (this "Mortgage"), that certain supplemental building loan agreement by and between Mortgagor and Mortgagee dated as of the date hereof (the "Loan Agreement"), the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Administrative Agent in connection with the Note (the "Loan Documents") or any amendments, renewals, extensions, modifications or substitutions of the Note or this Mortgage (collectively, the "Indebtedness"), the premises described on the attached Schedule A.

TOGETHER with all buildings, structures and other improvements now or hereafter erected, constructed or situated upon said premises, and all fixtures and equipment and other personal property now or hereafter affixed to, or used in connection with, said premises and any and all replacements thereof and additions thereto, all of which shall be deemed to be and remain and form a part of said premises and are covered by the lien of this Mortgage (said premises, buildings, structures, other improvements, fixtures and equipment and other personal property being collectively referred to as the "Premises"),

TOGETHER with all strips and gores of land adjoining or abutting the Premises,

TOGETHER with all right, title and interest of Mortgagor in and to all streets, alleys, highways, waterways and public places open or proposed in front of, running through or adjoining the Premises, and all easements and rights of way, public and private, now or hereafter used in connection with the Premises,

TOGETHER with all tenements, hereditaments and appurtenances and all the estate and rights of Mortgagor in and to the Premises,

TOGETHER with all awards heretofore or hereafter made by any federal, state, county, municipal or other governmental authority, or by whomsoever made in any condemnation or eminent domain proceedings whatsoever, to the present or subsequent owners of the Premises or any portion thereof, for the acquisition for public purposes of the Premises or any portion thereof or any interest therein or any use thereof, or for consequential damages on account thereof, including any award for any change of grade of streets affecting the Premises or any portion thereof and any award for any damage to the Premises or any portion thereof or any interest therein or any use thereof.

Capitalized terms used herein but not otherwise defined herein shall have their respective meanings ascribed to them in the Loan Agreement.

MORTGAGOR COVENANTS WITH MORTGAGEE SO LONG AS THIS MORTGAGE IS IN EFFECT AS FOLLOWS:

1. INDEBTEDNESS. The Indebtedness shall be paid as provided in the Note and as provided herein. Additionally, Mortgagor acknowledges and agrees that any amounts now or hereafter due and owing from Mortgagor to Mortgagee arising from or in connection with any interest rate swap agreement, now existing or hereafter entered into between Mortgagor and Mortgagee, and any costs incurred by Mortgagee in connection therewith, including, without limitation, any interest, expenses, fees, penalties or other charges associated with any obligations undertaken by the Lending Group to hedge or offset the Lending Group's obligations pursuant to such swap agreement, or the termination of any such obligations, shall be (i) deemed additional interest and/or a related expense (to be determined in the sole discretion of Mortgagee) due in connection with the principal amount of the Indebtedness secured by this Mortgage, (ii) included (in the manner described above) as part of the Indebtedness secured by this Mortgage, and secured by this Mortgage to the full extent thereof, and (iii) included in any judgment in any proceeding instituted by Mortgagee or its agents against Mortgagor for foreclosure of this Mortgage or otherwise.

2. INSURANCE. (A) Mortgagor shall keep the Premises insured against each risk to which the Premises may from time to time be subject (including fire, vandalism and other risks covered by all risk insurance; if requested by Mortgagee, earthquake; if the Premises or any portion thereof are located in an area identified as an area having special flood hazards and in which flood insurance has been made available, flood; and loss of rents by reason of such risks) for the benefit of Mortgagee. Such insurance shall be provided in such amounts, for

such periods, in such form, with such special endorsements, on such terms and by such companies and against such risks as shall be satisfactory to Mortgagee. Without limiting the generality of the preceding two sentences, each policy pursuant to which such insurance is provided shall contain a mortgagee clause, in form and substance satisfactory to Mortgagee, (a) naming Mortgagee as mortgagee and (b) providing that (i) all moneys payable pursuant to such insurance shall be payable to Mortgagee, (ii) such insurance shall not be affected by any act or neglect of Mortgagor or Mortgagee, any occupancy, operation or use of the Premises or any portion thereof for purposes more hazardous than permitted by the terms of such policy, any foreclosure or other proceeding or notice of sale relating to the Premises or any portion thereof or any change in the title to or ownership of the Premises or any portion thereof and (iii) such policy and such mortgagee clause may not be canceled or amended except upon thirty (30) days' prior written notice to Mortgagee. Mortgagor shall deliver evidence of property insurance to Mortgagee in form reasonably acceptable to Mortgagee, provided however that any blanket property insurance policy shall specifically allocate to the Premises the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate policy insuring only the Premises. The acceptance by Mortgagee of evidence of property insurance from Mortgagor shall not be deemed or construed as an approval by Mortgagee of the form, sufficiency or amount of such insurance. Mortgagee does not in any way represent that such insurance, whether in scope or coverage or limits of coverage, is adequate or sufficient to protect the business or interest of Mortgagor. In the event of the foreclosure of this Mortgage, or a transfer of title to the Premises in extinguishment of the Indebtedness, all right, title and interest of Mortgagor in and to any such policies then in force shall pass to the purchaser or grantee of the Premises. All the provisions of this Section 2 and any other provisions of this Mortgage pertaining to insurance which may be required under this Mortgage shall be construed with Section 254, Subdivision 4 of the New York Real Property Law, but, said Section 254 to the contrary notwithstanding, Mortgagor consents that Mortgagee may, without qualification or limitation by virtue of said Section 254, retain and apply the proceeds of any such insurance in satisfaction or reduction of the Indebtedness, whether or not then due and payable, or it may pay the same, wholly or in part, to any Mortgagor for the repair or replacement of the Premises or for any other purpose satisfactory to Mortgagee, without affecting the lien of this Mortgage for the full amount of the Indebtedness before the making of such payment.

(B) Notwithstanding the provisions set forth above in Section 2(A), in the event that all or any part of the Premises is damaged by fire or other casualty, and Mortgagor promptly notifies Mortgagee of its desire to repair and restore the same, then, provided that the following terms and conditions are and remain fully satisfied by Mortgagor, Mortgagee shall have the right (but not the obligation) to make proof of loss for, settle and adjust any claim under, and receive the proceeds of, all insurance for loss of or damage to the Premises where the loss is estimated by Mortgagee to be One Million and 00/100 Dollars (\$1,000,000.00) or more. Mortgagee agrees to allow the insurance proceeds in an amount of up to One Million and 00/100 Dollars (\$1,000,000.00) to be disbursed to Mortgagor for repair and restoration of the Premises:

- (i) no Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Mortgage shall have occurred and be continuing;

(ii) Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole reasonable discretion, that the Premises can be fully repaired and restored six (6) months prior to the maturity of the Note;

(iii) BJS Wholesale Club, Inc. ("BJS") has not cancelled that certain lease agreement with Mortgagor dated March 12, 2009 (the "BJ Lease") and The City of New York acting through the Department of Citywide Administrative Services ("NYC", collectively with BJS, the "Tenant") has not cancelled that certain lease agreement with Mortgagor dated November 5, 2009 (the "NYC Lease", collectively with the BJ Lease, the "Lease"), provided, however, that Mortgagor may contest any attempt by Tenant to cancel the Lease, however such proceeds shall not be disbursed to the Mortgagor until Mortgagee has received evidence that any such Lease has not been cancelled;

(iv) Mortgagor shall have deposited with Mortgagee for disbursement in connection with the restoration the greater of: (1) the applicable deductible under the insurance policies covering the loss; or (2) the amount by which the cost of restoration of the Premises to substantially the same value, condition and character as existed prior to such damage is reasonably estimated by Mortgagor, and approved by Mortgagee, in its reasonable judgment to exceed the net insurance proceeds available for restoration;

(v) Mortgagor has paid as and when due all of Mortgagee's direct, reasonable, out-of-pocket costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including without limitation, inspection, monitoring, engineering and legal fees. If not paid within ten (10) days of demand, and at Mortgagee's option, such costs may be deducted from the disbursements made by Mortgagee or added to the sums secured by this Mortgage in accordance with the provisions of Section 28 hereof; and

(vi) if the Tenant has commenced paying rent, Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole reasonable discretion, that the portion of the Premises being renovated is covered by adequate business interruption insurance.

Mortgagee shall have the right to apply the proceeds toward reduction of the Indebtedness as provided by Section 2(A) above, provided however that, notwithstanding the provisions set forth above in Section 2(B), to the extent any provision of either of the BJ Lease or the NYC Lease shall conflict with the provisions of Section 2(B), then in such case the BJ Lease or the NYC Lease shall control.

3. ALTERATIONS, DEMOLITION OR REMOVAL. No building, structure, other improvement, fixture or equipment or other personal property constituting any portion of the Premises shall be removed, demolished or substantially altered without the prior written consent of Mortgagee except as more fully set forth the Loan Agreement .

4. WASTE AND CHANGE IN USE. No Mortgagor shall commit any waste on the Premises or make any change in the use of the Premises which may in any way increase any ordinary fire, environmental or other risk arising out of construction or operation.

5. **MAINTENANCE AND REPAIRS.** Mortgagee acknowledges that construction is ongoing. Subject to the aforesaid condition, Mortgagor shall keep and maintain all buildings, structures, other improvements, fixtures and equipment and other personal property constituting any portion of the Premises and the sidewalks and curbs abutting the Premises in good order and rentable and tenable condition and state of repair. In the event that the Premises or any portion thereof shall be damaged or destroyed by fire or any other casualty, or in the event of the condemnation or taking of any portion of the Premises as a result of any exercise of the power of eminent domain, Mortgagor shall promptly restore, replace, rebuild or alter the same as nearly as possible to the condition immediately prior to such fire, other casualty, condemnation or taking without regard to the adequacy of any proceeds of any insurance or award received. Mortgagor shall give prompt written notice to Mortgagee of any such damage or destruction or of the commencement of any condemnation or eminent domain proceeding affecting the Premises or any portion thereof.

6. **EXISTENCE AND AUTHORITY.** Mortgagor represents and warrants, and continues to represent and warrant as long as this Mortgage is in effect, as follows: (a) it is duly organized, validly existing and in good standing under the laws of the State of Delaware and will do all things necessary to preserve and keep in full force and effect the existence, franchises, rights and privileges of Mortgagor as a limited liability company, under the laws of the State of Delaware; (b) Mortgagor has the full power and authority to grant the mortgage lien hereunder and to execute, deliver and perform its obligations in accordance with this Mortgage; (c) the execution and delivery of this Mortgage will not (i) violate any applicable law of any governmental authority or any judgment or order of any court, other governmental authority or arbitrator; (ii) violate any agreement to which Mortgagor is a party; or (iii) result in a lien or encumbrance on any of its assets (other than the mortgage lien hereunder); (d) Mortgagor's certificate of formation or other organizational or governing documents ("Governing Documents") do not prohibit any term or condition of this Mortgage; (e) each authorization, approval or consent from, each registration and filing with, each declaration and notice to, and each other act by or relating to, any party required as a condition of Mortgagor's execution, delivery or performance of this Mortgage (including any shareholder or board of directors or similar approvals) has been duly obtained and is in full force and effect and no other action is required under its Governing Documents or otherwise; and (f) Mortgagor has the power and authority to transact the business in which it is engaged and is duly licensed or qualified and in good standing in each jurisdiction in which the conduct of its business or ownership of property requires such licensing or such qualifications.

7. **TAXES AND ASSESSMENTS.** Unless paid from an escrow established pursuant to Section 8 of this Mortgage, Mortgagor shall pay all taxes, general and special assessments and other governmental impositions with respect to the Premises before the end of any applicable grace period. Upon request by Mortgagee, Mortgagor shall promptly deliver to Mortgagee receipted bills showing payment of all such taxes, assessments and impositions within the applicable grace period.

8. **ESCROW FOR TAXES, ASSESSMENTS AND INSURANCE.** Upon request by Mortgagee in the event insufficient funds remain in the budget for the construction of the Improvement to fund taxes and insurance, Mortgagor shall pay (a) monthly to Mortgagee on or before the first day of each and every calendar month, until the Indebtedness is fully paid, a sum equal to one-twelfth (1/12th) of the yearly taxes, general and special assessments, other governmental impositions and other liens and charges with respect to the Premises to be imposed for the ensuing year, as estimated by Mortgagee in good faith, and annual premiums for insurance on the Premises and (b) an initial payment such that, when such monthly payments are added thereto, the total of such payments will be sufficient to pay such taxes, assessments, impositions and other liens and charges and such insurance premiums on or before the date when they become due. Absent manifest error, Mortgagee's calculation as to the amount to be paid into Escrow shall be deemed conclusive. So long as no Event of Default (as hereinafter defined) shall have occurred or exists, Mortgagee shall hold such payments in trust in an account maintained with Mortgagee without obligation to pay interest thereon, except such interest as may be mandatory by any applicable statute, regulation or other law, to pay, to the extent funds are available, such taxes, assessments, impositions and other liens and charges and such insurance premiums within a reasonable time after they become due; provided, however, that upon the occurrence or existence of any Event of Default, Mortgagee may apply the balance of any such payments held to the Indebtedness. If the total of such payments made by any Mortgagor shall exceed the amount of such payments made by Mortgagee, such excess shall be held or credited by Mortgagee for the benefit of Mortgagor. If the total of such payments made by any Mortgagor shall be less than the amount of such taxes, assessments, impositions and other liens and charges and such insurance premiums, then Mortgagor shall pay to Mortgagee any amount necessary to make up the deficiency on or before the date when any such amount shall be due.

9. **LEASES.** Pursuant to Section 291-f of the New York Real Property Law, Mortgagor shall not (a) accept any prepayment of installments of rent to become due thereunder for more than one month in advance, without the prior written consent of Mortgagee or (b) modify or amend any existing leases, and will not make any rent concessions or other financial accommodations in favor of any tenant without the prior written consent of the Mortgagee. Further, all leases shall be subordinated to this Mortgage. In addition, any new lease for space in excess of 5,000 square feet at the Premises will be subject to the following Minimum Leasing Criteria:

Minimum Leasing Criteria

1. **Fixed Rent:** At least \$27.00 per rentable square foot (net of concessions), triple net.
2. **Term:** Not less than five (5) years.
3. **Tenant Improvement Allowance/Landlord Work:** Not more than \$70.00 per rentable square foot.
4. **Early Cancellation Rights:** None during first five (5) years, thereafter at Mortgagor's discretion.

Upon request by Mortgagee, Mortgagor shall promptly furnish to Mortgagee a written statement containing the names and mailing addresses of all lessees of the Premises or of any portion thereof, the terms of their respective leases, the space occupied and the rentals payable thereunder and copies of their respective leases and shall cooperate in effecting delivery of notice of this covenant to each affected lessee.

10. ASSIGNMENT OF LEASES AND RENTS. Mortgagor hereby assigns to Mortgagee all existing and future leases of the Premises or any portion thereof (including any amendments, renewals, extensions or modifications thereof) and the rents, issues and profits of the Premises ("Accounts"), as further security for the payment of the Indebtedness, and Mortgagor grants to Mortgagee the right to enter upon and to take possession of the Premises for the purpose of collecting the same and to let the Premises or any portion thereof, and after payment of each cost and expense (including each fee and disbursement of counsel to Mortgagee) incurred by Mortgagee in such entry and collection, to apply the remainder of the same to the Indebtedness, without affecting its right to maintain any action theretofore instituted, or to bring any action thereafter, to enforce the payment of the Indebtedness. In the event Mortgagee exercises such rights, it shall not thereby be deemed a mortgagee in possession, and it shall not in any way be made liable for any act or omission. No Mortgagor shall assign such leases, rents, issues or profits or any interest therein or grant any similar rights to any other person without Mortgagee's prior written consent. Mortgagee hereby waives the right to enter upon and to take possession of the Premises for the purpose of collecting said rents, issues and profits, and Mortgagor shall be entitled to collect the same, until the occurrence or existence of any Event of Default, but such right of Mortgagor may be revoked by Mortgagee upon the occurrence or existence of any Event of Default. Upon the occurrence or existence of any Event of Default, Mortgagor shall pay monthly in advance to Mortgagee, or to any receiver appointed to collect said rents, issues and profits, a fair and reasonable monthly rental value for the use and occupation of the Premises, and upon default in any such payment shall vacate and surrender the possession of the Premises to Mortgagee or to such receiver, and in default thereof may be evicted by summary proceedings pursuant to Article 7 of the New York Real Property Actions and Proceedings Law. The rights and remedies under this section and any separately recorded assignment of rents and/or leases in favor of Mortgagee shall be cumulative. In the event of any irreconcilable inconsistencies between such agreements and this section, the separately recorded assignment of rents and/or leases shall control.

11. SECURITY AGREEMENT. This Mortgage constitutes a security agreement under the New York Uniform Commercial Code in effect in the State of New York, as amended from time to time (the "UCC"), and Mortgagor hereby grants to Mortgagee, to secure the Indebtedness, a continuing security interest in all personal property of Mortgagor used in connection with any portion of, or otherwise constituting a portion of, the Premises, including, without limitation, fixtures, goods that are or are to become fixtures, as-extracted items and timber to be cut, as such terms and categories may be defined or described in the UCC, as applicable, whether now existing or owned or hereafter arising or acquired, and in all proceeds, products, rents, issues, profits and accounts arising therefrom. Mortgagee shall have the right to file in any public office, without the signature of Mortgagor, any financing statement relating to such items of collateral. Mortgagee shall have each applicable right and remedy of a secured party under the UCC and each applicable right and remedy pursuant to any other law or pursuant to this Mortgage.

12. NO TRANSFER. Mortgagor shall not, without Mortgagee's and the Lending Group's prior written consent, sell, convey or transfer the Premises or any portion thereof or any interest therein or contract to do so. Any change in the direct or indirect membership interest of Acadia-P/A Canarsie, LLC as the managing member and owner of 80% of the Mortgagor, whether by operation of law or otherwise, after which the percentage of such membership interest owned by any such managing member has decreased by at least twenty percent (20%) than it was on the date of this Mortgage shall be deemed a sale, conveyance or transfer of the Premises within the meaning of this Section 12. All transfers, including Permitted Transfers (as defined herein), must comply with the Patriot Act. Subject to the foregoing, the following transfers shall be permitted (the "Permitted Transfers") by the Lending Group: (i) the sale, transfer, or issuance of stock in Acadia Realty Trust, in the ordinary course of business, provided such stock is listed on the NYSE or other nationally recognized stock exchange and/or (ii) any transfer that does not result in a Change of Control (as defined below). "Change of Control" means any transaction, transfer, admission, redemption, withdrawal, change in organizational documents or structure, or otherwise, whether directly or indirectly, as a result of which any person other than Acadia Realty Trust and/or Acadia Strategic Opportunity Fund II, LLC (the "Guarantor") directly or indirectly controls Mortgagor.

13. NO SECONDARY FINANCING OR OTHER LIENS. Except for that certain Mortgage made by Mortgagor in favor of Mortgagee in the principal sum of \$48,000,000.00, dated January 12, 2010 (the "Building Loan Mortgage") or that certain Mortgage made by Mortgagor in favor of Mortgagee in the principal sum of \$7,000,000.00 dated as of the date hereof (the "Mortgage Loan Mortgage"), Mortgagor shall not, without Mortgagee's prior written consent, mortgage, pledge, assign, grant a security interest in or cause any other lien or encumbrance to be made or permit any other lien or encumbrance to exist upon the Premises or any portion thereof except for (a) taxes and assessments not yet delinquent and (b) any mortgage, pledge, security interest, assignment or other lien or encumbrance to Mortgagee or any affiliate of Mortgagee (an "Affiliate").

14. COMPLIANCE WITH LAWS. Mortgagor represents and warrants to Mortgagee, and continues to represent and warrant as long as this Mortgage is in effect, as follows: (a) the buildings, structures and other improvements now constituting any portion of the Premises are in full compliance with all applicable statutes, regulations and other laws (including all applicable zoning, building, fire and health codes and ordinances and the Americans With Disabilities Act of 1990) and all applicable deed restrictions, if any, and is not and shall not be used for any illegal purpose; (b) such compliance is based solely upon Mortgagor's ownership of the Premises and not upon title to or interest in any other property. Mortgagor shall comply with or cause compliance with all statutes, regulations and other laws (including all applicable zoning, building, fire and health codes and ordinances and the Americans With Disabilities Acts of 1990), all other requirements of all governmental authorities whatsoever having jurisdiction over or with respect to the Premises or any portion thereof or the use or occupation thereof and with all applicable deed restrictions, if any; provided, however, that Mortgagor may postpone such compliance if and so long as the validity or legality of any such requirement or restriction shall be contested by such Mortgagor, with diligence and in good faith, by appropriate legal proceedings and Mortgagee is satisfied that such non-compliance will not impair or adversely affect the value of its security.

15. **WARRANTY OF TITLE; TITLE INSURANCE.** Mortgagor represents and warrants to Mortgagee, and continues to represent and warrant as long as this Mortgage is in effect, that Mortgagor holds good and marketable title in fee simple absolute to the Premises. Upon request by Mortgagee, Mortgagor shall furnish to Mortgagee at Mortgagor's own cost and expense a title insurance policy in the then amount of the Indebtedness, (a) naming Mortgagee as mortgagee, (b) covering the lien on the Premises granted pursuant to this Mortgage, (c) containing no exception not approved by Mortgagee, (d) issued by a title insurance company qualified to do business in the State of New York and satisfactory to Mortgagee and (e) otherwise in form and substance satisfactory to Mortgagee.

16. **CERTAIN RIGHTS AND OBLIGATIONS.**

(a) Mortgagee may take such action as Mortgagee deems appropriate to protect the Premises or the status or priority of the lien of this Mortgage, including: entry upon the Premises to protect the Premises from deterioration or damage, or to cause the Premises to be put in compliance with any governmental, insurance rating or contract requirements; payment of amounts due on liens having priority over this Mortgage; payment of any tax or charge for purposes of assuring the priority or enforceability of this Mortgage; obtaining insurance on the Premises (including flood insurance); or commencement or defense of any legal action or proceeding to assess or protect the validity or priority of the lien of this Mortgage. On demand, Mortgagor shall reimburse Mortgagee for all expenses in taking any such action, with interest, and the amount thereof shall be secured by this Mortgage and shall, to the extent permitted by law, be in addition to the maximum amount of the Indebtedness evidenced by the Note.

(b) Mortgagor authorizes Mortgagee, without notice, demand or any reservation of rights and without affecting this Mortgage, from time to time: (i) to accept from any person or entity and hold additional collateral for the payment of the Indebtedness or any part thereof, and to exchange, enforce or refrain from enforcing, or release such collateral or any part thereof; (ii) to accept and hold any endorsement or guaranty of payment of the Indebtedness or any part thereof, and to release or substitute any such obligation of any Guarantor or any person or entity who has given any collateral as security for the payment of the Indebtedness or any part thereof, or any other person or entity in any way obligated to pay the Indebtedness or any part thereof, and to enforce or refrain from enforcing, or compromise or modify, the terms of any obligation of any such Guarantor, person or entity; (iii) upon the occurrence of an Event of Default, to direct the order or manner of the disposition of any and all collateral and the enforcement of any and all endorsements and guaranties relating to the Indebtedness or any part thereof as Mortgagee, in its sole discretion, may determine; and (iv) upon the occurrence of an Event of Default to determine the manner, amount and time of application of payments and credits, if any, to be made on all or any part of any component or components of the Indebtedness (whether principal, interest, costs and expenses, or otherwise) including if the amount of the Indebtedness secured by this Mortgage is less than the total amount of the obligations under the Note or that certain Continuing Guaranty of the Guarantor, dated January 12, 2010 as amended and restated by that certain Amended and Restated Continuing Guaranty dated as of the date hereof (collectively, the "Guaranty"), to make any such application to such obligations, if any, in excess of the amount of the Indebtedness secured by this Mortgage.

(c) Notwithstanding the occurrence of an Event of Default, this Mortgage shall remain valid, binding and enforceable: (i) without deduction by reason of any setoff, defense or counterclaim of Mortgagor or Guarantor; (ii) without requiring protest or notice of nonpayment or notice of default to Mortgagor or to Guarantor, or to any other person; (iii) without demand for payment or proof of such demand; (iv) without requiring Mortgagee to resort first to Mortgagor or to any other guaranty or any collateral which Mortgagee may hold; (v) without requiring notice of acceptance hereof or assent hereto by Mortgagee; and (vi) without requiring notice that any indebtedness has been incurred or of the reliance by Mortgagee upon this Mortgage; all of which Mortgagor hereby waives.

(d) The enforceability of this Mortgage shall not be affected by: (i) any failure to perfect or continue the perfection of any security interest in or other lien on any other collateral securing payment of the Indebtedness; (ii) the invalidity, unenforceability, or loss or change in priority of any such security interest or other lien; (iii) any failure to protect, preserve or insure any such collateral; (iv) any defense arising by reason of the cessation from any cause whatsoever of liability of any Guarantor; (v) any compromise of any obligation of Mortgagor or any Guarantor; (vi) the invalidity or unenforceability of any of the Indebtedness; or (vii) any renewal, extension, acceleration, or other change in the time for payment of, or the terms of the interest on the Indebtedness or any part thereof; all of which Mortgagor hereby waives.

(e) If Mortgagee shall receive from or on behalf of Mortgagor any sum less than the full amount then due and payable, Mortgagee may, but shall not be obligated to, accept the same and, if it elects to accept any such payment, it may without waiving any Event of Default: (i) apply such payment on account of the Indebtedness or any amount payable hereunder, or (ii) hold same or any part thereof, without liability for interest, in a special account and from time to time apply same or any part thereof as specified in subsection (i) of this subsection.

17. LIEN LAW COVENANT. Mortgagor shall receive the advances secured by this Mortgage and shall hold the right to receive such advances as a trust fund in accordance with the provisions of Section 13 of the New York Lien Law.

18. APPLICATION OF AND INTEREST ON CONDEMNATION AWARD. (A) Mortgagor consents that Mortgagee may retain and apply the proceeds of any award by a condemning authority in satisfaction or reduction of the Indebtedness, whether or not then due and payable, or it may pay the same, wholly or in part, to Mortgagor for the restoration or alteration of the Premises or for any other purpose satisfactory to Mortgagee, without affecting the lien of this Mortgage for the full amount of the Indebtedness before the making of such payment. In the event of the condemnation or taking by eminent domain of the Premises or any portion thereof, Mortgagee shall not be limited to the interest paid on the award by the condemning authority, but shall be entitled to receive out of the award interest on the Indebtedness in accordance with its terms.

(B) Notwithstanding the foregoing provisions set forth above in Section 18(A), and provided that the following terms and conditions are and remain fully satisfied by Mortgagor, Mortgagee agrees to allow the proceeds of a condemnation award in an amount of up to One Million and 00/100 Dollars (\$1,000,000.00) to be applied to restoration of the Premises, if necessary in Mortgagee's sole discretion:

- (i) no Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Mortgage shall have occurred and be continuing;
- (ii) Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole discretion, that the Premises can be fully restored six (6) months prior to the maturity of the Note;
- (iii) Tenant has not cancelled the Lease;
- (iv) Mortgagor shall have deposited with Mortgagee for disbursement in connection with the restoration the greater of: (1) the applicable deductible under the insurance policies covering the loss; or (2) the amount by which the cost of restoration of the Premises to substantially the same value, condition and character as existed prior to such damage is estimated by Mortgagee to exceed the net insurance proceeds available for restoration; and
- (v) Mortgagor has paid as and when due all of Mortgagee's direct, reasonable, out-of-pocket costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including without limitation, inspection, monitoring, engineering and reasonable legal fees. If not paid within ten (10) days of demand, and at Mortgagee's option, such costs may be deducted from the disbursements made by Mortgagee or added to the sums secured by this Mortgage in accordance with the provisions of Section 28 hereof ; and
- (vi) Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole reasonable discretion, that the portion of the Premises being restored is covered by adequate business interruption insurance.

19. APPOINTMENT OF RECEIVER. In addition to any other remedy, upon the occurrence of any Event of Default, Mortgagee, in any action to foreclose this Mortgage, shall be entitled, without notice or demand and without regard to the adequacy of any security for the Indebtedness or the solvency or insolvency of any person liable for the payment thereof, to the appointment of a receiver of the rents, issues and profits of the Premises.

20. SALE IN ONE OR MORE PARCELS. In case of a foreclosure sale, the Premises may be sold in one or more parcels, any provision of any statute, regulation or other law to the contrary notwithstanding.

21. ESTOPPEL STATEMENT. Upon request by Mortgagee, Mortgagor shall furnish to Mortgagee within five (5) business days if such request is made in person or within ten (10) business days if such request is otherwise made a written statement duly acknowledged of the amount of the Indebtedness and whether any offsets or defenses exist against the Indebtedness. Upon request by Mortgagor, but not more frequently than twice in any given calendar year, Mortgagee shall furnish to Mortgagor within five (5) business days if such request is made in person or within ten (10) business days if such request is otherwise made a written statement duly acknowledged of the amount of the Indebtedness.

22. **RIGHT TO INSPECT AND EXAMINE.** Upon request by Mortgagee, Mortgagor shall immediately permit Mortgagee and each officer, employee, accountant, attorney and other agent of Mortgagee to enter and inspect the Premises and to examine, audit, copy and extract each record of any Mortgagor relating to the Premises or any portion thereof.

23. **FINANCIAL STATEMENTS.** Mortgagor shall furnish to Mortgagee the following financial information, in each instance prepared in accordance with generally accepted accounting principles consistently applied and otherwise in form and substance satisfactory to Mortgagee and certified to be true and complete in all material respects by an authorized officer of Mortgagor:

(a) Fiscal Year End Financial Statements.

(1) As soon as available, but in any event within one hundred twenty (120) days of the fiscal year end, Mortgagor shall cause the Guarantor to deliver to Mortgagee, annual accountant audited financial statements for Guarantor.

(2) As soon as available, but in any event within one hundred twenty (120) days of the fiscal year end, Mortgagor shall deliver to Mortgagee, annual internally prepared financial statements for Mortgagor and a certification by an officer of Mortgagor that all covenants as required are in compliance and have been checked, and that no violations or defaults have occurred and if so, an explanation of the steps taken to correct such violations and/or cure such default, and in the event that the Mortgagor has elected the option to modify the Note to a mini-permanent mortgage loan then the Mortgagor shall furnish financial statements which shall contain all rental and other income and the detailed operating expenses for the Premises, including a rent roll, together with (i) an annual compliance certificate with a calculation of financial covenants signed by an authorized officer of Mortgagor; and (ii) a certification by an officer of Mortgagor that all covenants as required are in compliance and have been checked, and that no violations or defaults have occurred and if so, an explanation of the steps taken to correct such violations and/or cure such default.

(b) Tax Returns. (i) Mortgagor shall deliver to Mortgagee, no later than April 16th of each year or, if extended, within thirty (30) days after same are filed, complete copies of federal tax returns together with all schedules and addenda thereto, as applicable, each of which shall be signed and certified by Mortgagor to be true and complete copies of such returns; and (ii) Mortgagor shall cause Guarantor to deliver to Mortgagee, no later than April 16th of each year or, if extended, within thirty (30) days after same are filed, complete copies of federal tax returns of Guarantor together with all schedules and addenda thereto, as applicable, each of which shall be signed and certified by Guarantor to be true and complete copies of such returns.

(c) Other Information. Mortgagor shall deliver to Mortgagee within fifteen (15) days of the Mortgagee's request therefor, a rent roll and such other financial information with respect to the Mortgagor in such detail as the Mortgagee may reasonably require.

24. AUTHORIZATION AND POWER OF ATTORNEY. Mortgagee is irrevocably and unconditionally authorized to take, and Mortgagor irrevocably and unconditionally appoints Mortgagee as the attorney-in-fact of such Mortgagor, with full power of substitution and of revocation, to take, in the name of such Mortgagor or otherwise at the sole option of Mortgagee, each action relating to the Premises or any portion thereof that, subject to this Mortgage, such Mortgagor could take in the same manner, to the same extent and with the same effect as if such Mortgagor were to take such action; provided, however, that Mortgagee shall not have the right, pursuant to such authorization or as such attorney-in-fact, to sell or otherwise dispose of the Premises or any portion thereof. Such power of attorney is coupled with an interest in favor of Mortgagee, and shall not be terminated or otherwise affected by the death, disability or incompetence of any Mortgagor.

25. FURTHER ASSURANCES. Promptly upon request by Mortgagee, Mortgagor shall execute and deliver each writing, and take each other action, that Mortgagee shall deem necessary or desirable at the sole option of Mortgagee (a) to perfect or accomplish any lien or security interest granted, or assignment made, pursuant to this Mortgage; (b) otherwise to accomplish any purpose of this Mortgage; (c) in connection with any transaction contemplated by this Mortgage; or (d) in connection with the Premises or any portion thereof.

26. ENVIRONMENTAL REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION. Mortgagor represents and warrants, and continues to represent and warrant as long as this Mortgage is in effect to the best of its knowledge, to Mortgagee that except as otherwise disclosed in that certain Business/Lender Phase I Environmental Site Assessment Report dated October 9, 2009 (a) Mortgagor and the Premises are in compliance with each statute, regulation or other law and each judgment, order or award of any court, agency or other governmental authority or of any arbitrator (individually an "Environmental Requirement") relating to the protection of any water, water vapor, land surface or subsurface, air, fish, wildlife, biota or other natural resources or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of any chemical, natural or synthetic substance, waste, pollutant or contaminant (collectively "Regulated Materials"), (b) Mortgagor has not been charged with, or has received any notice that such Mortgagor is under investigation for, the failure to comply with any Environmental Requirement, nor has Mortgagor received any notice that Mortgagor has or may have any liability or responsibility under any Environmental Requirement with respect to the Premises or otherwise, (c) the Premises have never been used for (i) the storage, treatment, generation, transportation, processing, handling, production or disposal of Regulated Materials, except as permitted by law, (ii) a landfill or other waste disposal site or (iii) military purposes, (d) no underground storage tanks are located on the Premises, (e) the environmental media at the Premises do not contain Regulated Materials beyond any legally permitted level, (f) there has never been any release, threatened release, migration or uncontrolled presence of any Regulated Materials on, at or from the Premises or, to the knowledge of Mortgagor, within the immediate vicinity of the Premises and (g) Mortgagor has not received any notice of any such release, threatened release, migration or uncontrolled presence. Mortgagor shall not cause or permit the Premises to be used in any way that would result in any of the representations and

warranties contained in the preceding sentence to be false or misleading at any future time. To the extent any such representation or warranty at any time is or becomes false or misleading, Mortgagor shall promptly notify Mortgagee thereof. If at any time Mortgagor obtains any evidence or information which suggests that potential environmental problems may exist on, at or about the Premises, Mortgagee may request Mortgagor, at Mortgagor's own cost and expense, to conduct and complete investigations, studies, sampling and testing with respect to the Premises requested by Mortgagee. Mortgagor shall promptly furnish to Mortgagee copies of all such investigations, studies, samplings and tests. Mortgagor shall (a) conduct and complete all such investigations, studies, samplings and testing, and all remedial, removal and other actions necessary with respect to the Premises, in accordance with all applicable Environmental Requirements and promptly furnish to Mortgagee copies of all documents generated in connection therewith and (b) defend, reimburse, indemnify and hold harmless Mortgagee, its employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, the violation of, or other liability or responsibility under, any Environmental Requirements, or the release, threatened release, migration or uncontrolled presence of any Regulated Materials on, at or from the Premises including attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. In the event this Mortgage is foreclosed, or Mortgagor tenders a deed in lieu of foreclosure which Mortgagee agrees to accept, Mortgagor shall be responsible to deliver the Premises to Mortgagee free of any and all Regulated Materials other than any that are (a) normally used in Mortgagor's business and (b) located and maintained thereon in compliance with all applicable Environmental Requirements and in a condition that conforms with all applicable Environmental Requirements. The provisions of this Section 26 shall be in addition to any and all other obligations and liabilities Mortgagor may have to Mortgagee at common law or any other agreement with Mortgagee, and shall survive the transactions contemplated in this Mortgage and the termination of this Mortgage.

27. EVENTS OF DEFAULT.

(a) Any of the following events or conditions shall constitute an "Event of Default":

(i) failure by Mortgagor to pay when due (whether at the stated maturity, by acceleration, upon demand or otherwise) the Indebtedness, or any part thereof, or there occurs any event or condition which after notice, lapse of time or after both notice and lapse of time will permit acceleration of the Indebtedness or the Indebtedness as set forth under the Building Loan Mortgage or the Mortgage Loan Mortgage;

(ii) default by Mortgagor in the performance of any obligation, term or condition of this Mortgage, the Building Loan Mortgage, the Mortgage Loan Mortgage or any other agreement with Mortgagee or any of its Affiliates where such default is not otherwise referred to in this Mortgage, the Building Loan Mortgage, the Mortgage Loan Mortgage or other agreement with Mortgagee or any of its Affiliates and same is not cured, if capable of being cured, within thirty (30) days after notice, provided that if Mortgagor cannot perform or comply within such thirty (30) day period and such failure is capable of performance or compliance by Mortgagor, then so long as Mortgagor has commenced to perform or comply and thereafter diligently and expeditiously proceeds to perform or comply, such thirty (30) day period shall be extended for such time as is reasonably necessary for Mortgagor to perform or comply;

- (iii) failure by Mortgagor to pay when due (whether at the stated maturity, by acceleration, upon demand or otherwise) any material indebtedness or obligation owing to any third party or any Affiliate, the occurrence of any event which could result in acceleration of payment of any such material indebtedness or obligation or the failure to perform any agreement with any third party or any Affiliate;
- (iv) Mortgagor is dissolved, becomes insolvent, generally fails to pay or admits in writing its inability generally to pay its debts as they become due;
- (v) failure to pay, withhold or collect any tax as required by law;
- (vi) Mortgagor makes a general assignment, arrangement or composition agreement with or for the benefit of its creditors or makes, or sends notice of any intended, bulk sale; the sale, assignment, transfer or delivery of all or substantially all of the assets of Mortgagor to a third party; or the cessation by Mortgagor as a going business concern;
- (vii) Mortgagor files a petition in bankruptcy or institutes any action under federal or state law for the relief of debtors or seeks or consents to the appointment of an administrator, receiver, custodian or similar official for the wind up of its business (or has such a petition or action filed against it and such petition action or appointment is not dismissed or stayed within sixty (60) days);
- (viii) the reorganization, merger, consolidation or dissolution of Mortgagor (or the making of any agreement therefor);
- (ix) the entry of any judgment in excess of \$500,000, or order of any court, other governmental authority or arbitrator against Mortgagor;
- (x) falsity, omission or inaccuracy of facts submitted to Mortgagee or any Affiliate (whether in a financial statement or otherwise);
- (xi) any pension plan of Mortgagor fails to comply with applicable law or has vested unfunded liabilities that, in the opinion of Mortgagee, might have a material adverse effect on Mortgagor's ability to repay its debts;
- (xii) any indication or evidence received by Mortgagee that Mortgagor may have directly or indirectly been engaged in any type of activity which, in Mortgagee's reasonable discretion, might result in the forfeiture of the Premises to any governmental authority, including the material breach or default under any covenants, restrictions or other agreements recorded of record against the Premises;
- (xiii) the occurrence of any event described in Section 27.1(i) through and including 27.1(xii) with respect to any Guarantor;

(xiv) Mortgagee in good faith believes that the prospect of payment of all or any part of the Indebtedness or performance of Mortgagor's obligations under this Mortgage or any other agreement now or hereafter in effect between Mortgagor or Guarantor and Mortgagee or its Affiliates is impaired; or

(xvi) the occurrence of an Event of Default under any of the Loan Documents, the Loan Agreement, the Building Loan Mortgage or the Mortgage Loan Mortgage.

(b) Mortgagee, at its sole election, may declare all or any part of any Indebtedness not payable on demand to be immediately due and payable without demand or notice of any kind upon the happening of any Event of Default. All or any part of any Indebtedness not payable on demand shall be automatically and immediately due and payable, without demand or notice of any kind, upon the commencement of Mortgagor's or Debtor's bankruptcy if voluntary and upon the lapse of sixty (60) days without dismissal if involuntary, unless an order for relief is entered sooner. The provisions of this paragraph are not intended in any way to affect any rights of Mortgagee with respect to any Indebtedness which may now or hereafter be payable on demand.

(c) Upon the happening of an Event of Default, whether or not foreclosure proceedings have been instituted, Mortgagor shall, upon demand, surrender possession of the Premises to Mortgagee. If Mortgagor remains in possession of the Premises after the happening of an Event of Default and demand by Mortgagee, the possession shall be as tenant of Mortgagee and Mortgagor agrees to pay in advance upon demand to Mortgagee a reasonable monthly rental for the Premises or portion so occupied. Mortgagee may dispossess, by summary proceedings or otherwise, any tenant of Mortgagor defaulting in the payment of rent. If a receiver is appointed, this covenant shall inure to the benefit of such receiver. Notwithstanding any provision of law to the contrary, Mortgagee may, at its option, foreclose this Mortgage subject to the rights of tenants of the Premises which are subordinate to the lien of this Mortgage.

(d) If the Indebtedness, as evidenced by a single note or other written instrument shall exceed the amount secured by this Mortgage, or as evidenced by a combination of same that singularly or in part collectively may be less than said secured amount but combined exceed said secured amount, Mortgagee, in any foreclosure hereof, shall have the right to sue and collect the excess in the same action as commenced for the foreclosure hereof, and recover a money judgment for said excess with all the rights attendant thereto, including the issuance of an execution to the Sheriff for collection thereof, and Mortgagor hereby waives any defense based upon a claim that in doing so, Mortgagee is splitting its cause of action if it seeks to foreclose this Mortgage for part of the indebtedness and recover at law for another part.

(e) Upon the happening of an Event of Default, Mortgagee may pursue, take or refrain from pursuing any remedy for collection of the Indebtedness, including foreclosure of this Mortgage.

(f) Mortgagee may, either with or without entry or taking possession of the Premises as provided in this Mortgage or otherwise, personally or by its agents or attorneys, and without prejudice to the right to bring an action of foreclosure of this Mortgage: (A) sell the Premises or any part thereof pursuant to any procedures provided by applicable law allowing non-judicial foreclosure of Mortgage by sale, and all estate, right, title, interest, claim and demand therein, and right of redemption thereof, at one or more sales as an entity or in parcels, and at such time and place upon such terms and after such notice thereof as may be required or permitted by applicable law or (B) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Note or in this Mortgage, or in aid of the execution of any power granted in this Mortgage, or for any foreclosure under this Mortgage, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as Mortgagee may elect. Any reference in this Mortgage to an action or right of Mortgagee in regard to or in connection with a "foreclosure proceeding" shall be deemed to include a sale and/or proceeding under this subsection, including a non-judicial foreclosure of mortgage by sale.

28. EXPENSES. Mortgagor shall pay to Mortgagee and the Co-Lender on demand all reasonable costs and expenses (including reasonable attorneys' fees and disbursements whether for internal or outside counsel) incurred by Mortgagee and the Co-Lender in connection with the Indebtedness or the Mortgage including costs of collection, of preserving or exercising any right or remedy of Mortgagee under this Mortgage or any related security agreement or guaranty, of workout or bankruptcy proceedings by or against Mortgagor, of defending against any claim asserted as a direct or indirect result of the Indebtedness or of performing any obligation of any Mortgagor pursuant to this Mortgage or otherwise (including payment of any amount any Mortgagor is obligated to pay pursuant to this Mortgage and performance of any obligation of Mortgagor pursuant to this Mortgage). Mortgagor agrees to defend and indemnify Mortgagee and the Co-Lender from any and all third party claims arising from Mortgagor's duties as owner and/or occupant of the Premises, and further agrees to pay, upon demand, any expense that Mortgagee and the Co-Lender may incur (including reasonable attorneys' fees and disbursements whether for internal or outside counsel) due to Mortgagor's failure to provide appropriate defense and indemnification to Mortgagee and the Co-Lender in a timely manner. Mortgagee and the Co-Lender reserves the right to have Mortgagor pay, upon demand, administrative fee(s) in regard to any administrative action Mortgagee and the Co-Lender is required or requested to take including the preparation of discharges, releases or assignments to third parties. Costs and expenses shall accrue interest at the Default Rate from the date of demand until payment is actually received by Mortgagee and the Co-Lender. Each such cost and expense and any interest thereon shall constitute part of the Indebtedness and be secured by this Mortgage and may be added to the judgment in any suit brought by Mortgagee, the Co-Lender or their respective agents against any Mortgagor on this Mortgage.

29. NOTICES. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Mortgagor or to Mortgagee addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 29. Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal service and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (e.g., Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Mortgagor and Mortgagee.

Mortgagee: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: Office of General Counsel

with a copy to: DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and: Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Mortgagor: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Robert Masters, Esq.

30. LITIGATION. Mortgagor shall promptly notify Mortgagee in writing of any litigation, proceeding, or counterclaim against, or of any investigation of, Mortgagor (or the threat thereof) if: (i) the outcome of such litigation, proceeding, counterclaim, or investigation may materially and adversely affect the finances or operations of Mortgagor or title to, or the value of, any assets secured by the Mortgage or (ii) such litigation, proceeding, counterclaim, or investigation questions the validity of the Mortgage, the Note or any document executed in connection therewith including any guaranties or any action taken, or to be taken, pursuant to any such documents. Mortgagor shall furnish to Mortgagee such information regarding any such litigation, proceeding, counterclaim, or investigation as Mortgagee shall request.

31. NOTICE OF NON-COMPLIANCE. Mortgagor shall notify Mortgagee in writing of any failure by Mortgagor to comply with any provision of the Note, the Mortgage or any document executed in connection therewith immediately upon learning of such non-compliance, or if any representation, warranty or covenant contained in any such document is no longer true. Mortgagor shall also immediately notify Mortgagee in writing if there is any material adverse change in any of the information or financial statements supplied to Mortgagee to induce Mortgagee to extend credit to Mortgagor or if such information or financial statement is required under this Mortgage or any other document executed in connection therewith.

32. **COVENANTS SHALL RUN WITH THE LAND.** The covenants contained in this Mortgage shall run with the land and bind Mortgagor, each heir, legal representative, successor and assign of Mortgagor and each subsequent owner, encumbrancer, tenant and subtenant of the Premises or any portion thereof, and shall inure to the benefit of, and be enforceable by, Mortgagee and each successor and assign of Mortgagee.

33. **NONWAIVER BY MORTGAGEE.** All rights and remedies of Mortgagee under this Mortgage and its other agreements with Mortgagor are cumulative, and no right or remedy shall be exclusive of any other right or remedy. No single, partial or delayed exercise by Mortgagee or its agents of any right or remedy shall preclude full and timely exercise by Mortgagee or its agents at any time of any right or remedy of Mortgagee without notice or demand, at Mortgagee's sole option. No course of dealing or other conduct, no oral agreement or representation made by Mortgagee or its agents or usage of trade shall operate as a waiver of any right or remedy of Mortgagee. No waiver of any right or remedy of Mortgagee hereunder shall be effective unless made specifically in writing by Mortgagee. No notice or demand on Mortgagor or Guarantor in any case shall entitle Mortgagor or Guarantor to any other or further notice in similar or other circumstances.

34. **RIGHT OF SETOFF.** If an Event of Default occurs, Mortgagee, the Co-Lender and their respective Affiliates shall also have the right to setoff against the indebtedness any property held in a deposit or other account or otherwise owing by Mortgagee, the Co-Lender or their respective Affiliates including, in any capacity to any Mortgagor or Guarantor in any capacity whether or not the Indebtedness or the obligation to pay such moneys owed by Mortgagee and the Co-Lender is then due, and Mortgagee and the Co-Lender shall be deemed to have exercised such right of setoff immediately at the time of such election.

35. **TERM; SURVIVAL.** The term of this Mortgage and Mortgagor's obligations hereunder shall continue until the Indebtedness has been fully paid to Mortgagee's satisfaction. Mortgagor's obligation to pay the costs and expenses hereunder shall survive the term of this Mortgage and the entry of any judgment of foreclosure. Mortgagor's representations, warranties, covenants and agreements shall survive during the term of this Mortgage and shall be presumed to have been relied upon by Mortgagee. If after receipt of any payment of all or any part of the Indebtedness, Mortgagee is for any reason compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, impermissible set-off, or a diversion of trust funds, or for any other reason, this Mortgage shall continue in full force notwithstanding any contrary action which may have been taken by Mortgagee in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Mortgagee's rights under this Mortgage and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

36. **MISCELLANEOUS.** This Mortgage is absolute and unconditional. This Mortgage and all documents, including the Note, any Guaranty and any other document required to be executed by Mortgagor or Guarantor in connection with the transaction contemplated hereby constitute the entire agreement and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transactions. This Mortgage is a binding obligation enforceable against Mortgagor and its heirs and legal representatives and its

successors and assigns and shall inure to the benefit of Mortgagee and its successors and assigns. Any reference herein to "Mortgagee" shall be deemed to include and apply to every subsequent holder of this Mortgage and any reference herein to "Mortgagor", or "Guarantor" shall include: (i) any successor individual or individuals, association, partnership, limited liability company or corporation to which all or substantially all of the business or assets of Mortgagor or Guarantor, as the case may be, shall have been transferred; (ii) in the case of a partnership Mortgagor or Guarantor (as the case may be) any new partnership which shall have been created by reason of the admission of any new partner or partners therein, or by reason of the dissolution of the existing partnership by voluntary agreement or the death, resignation or other withdrawal of any partner; and (iii) in the case of a corporate or limited liability company, Mortgagor or Guarantor (as the case may be) any other entity into or with which Mortgagor or Guarantor (as the case may be) shall have been merged, consolidated, reorganized, or absorbed. It is the intent of Mortgagor and Mortgagee that the provisions of this Mortgage, other than those included in the New York statutory form of mortgage, shall be construed as affording to Mortgagee rights additional to, and not exclusive of, the rights conferred under the provisions contained in such statutory form. Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; the word "or" has the inclusive meaning represented by the phrase "and/or"; the word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and captions or section headings are solely for convenience and not part of the substance of this Mortgage. Any representation, warranty, covenant or agreement herein shall survive execution and delivery of this Mortgage and shall be deemed continuous. Each provision of this Mortgage shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision nevertheless is held invalid, the other provisions shall remain in effect. Mortgagor agrees that in any legal proceeding, a photocopy of this Mortgage kept in Mortgagee's course of business may be admitted into evidence as an original.

37. JOINT AND SEVERAL. If there is more than one Mortgagor, each of them shall be jointly and severally liable for all amounts and obligations which become due or should be performed under this Mortgage and the term "Mortgagor" shall include each as well as all of them.

38. GOVERNING LAW; JURISDICTION. This Mortgage has been delivered to and accepted by Mortgagee and will be deemed to be made in the State of New York. This Mortgage will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **MORTGAGOR AND MORTGAGEE HEREBY IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN NEW YORK STATE IN NEW YORK OR WESTCHESTER COUNTY AND CONSENTS THAT MORTGAGEE MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT MORTGAGOR'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS MORTGAGE WILL PREVENT MORTGAGEE FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST MORTGAGOR INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF**

MORTGAGOR WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION. Mortgagor acknowledges and agrees that the venue provided above is the most convenient forum for both Mortgagee and Mortgagor. Mortgagor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Mortgage.

39. WAIVER OF JURY TRIAL. MORTGAGOR AND MORTGAGEE HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY EACH WAIVE ANY RIGHT TO TRIAL BY JURY THEY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS MORTGAGE OR THE TRANSACTIONS RELATED THERETO. MORTGAGOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF MORTGAGEE HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT MORTGAGEE WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. MORTGAGOR ACKNOWLEDGES THAT MORTGAGEE HAS BEEN INDUCED TO ACCEPT THIS MORTGAGE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

40. RECOURSE LIABILITY. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "**Exculpated Party**") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Administrative Agent and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Administrative Agent or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this **Section 40** shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees). Notwithstanding the foregoing provisions of this **Section 40**, each Exculpated Party shall be personally (and on a full recourse basis) liable for and shall indemnify and defend Administrative Agent and the Lending Group from and against, and shall hold Administrative Agent and the Lending Group harmless of, from and against any deficiency, liability, loss, damage, costs, and expenses (including legal fees and disbursements) suffered by Administrative Agent and/or the Lending Group and caused by, or arising out of or as a result of any of the following: (i) such Person's commission of a criminal act, (ii) such Person's failure to comply with the provisions of the Loan Documents prohibiting a transfer or Change of Control; (iii) such Person's misappropriation of any cash flow or other revenue derived from or in respect of the Project,

including security deposits, insurance proceeds, condemnation awards, or any rental, sales or other income derived directly or indirectly from the Project, or the misapplication of any of the foregoing sums, in either event, in contravention of any provision of this Mortgage or the other Loan Documents; (iv) such Person's fraud or misrepresentation or inaccurate certification made at any time in connection with the Loan Documents or the Indebtedness; (v) such Person's intentional interference with Administrative Agent's (or the Lending Groups') exercise of its rights under any of the Loan Documents; (vi) such Person's intentional destruction or removal of fixtures or personal property securing the Obligations unless replaced by items of equal value and utility; (vii) such Person's misapplication or misappropriation of funds disbursed from the Project Fund; (viii) such Person's commissions of intentional waste to or of the Project or any portion thereof or failure to maintain the Project and the Premises in the manner required by the Loan Documents; (ix) failure to maintain the insurance coverage required by the Loan Documents; (x) failure to pay taxes, assessments and any other charges, including, without limitation, charges for labor or materials, which could result in prior liens against any portion of the Project; (xi) willful misconduct; (xii) Borrower files a voluntary petition under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiii) such Person files or joins in the filing of, or solicits or acts in concert with, or colludes or conspires with petitioning creditors with respect to, an involuntary petition against Borrower under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiv) Borrower files an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xv) such Person consents to or acquiesces in or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any portion of the Project; or (xvi) Borrower makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due.

41. ASSIGNMENT. Upon the request of Mortgagor, Mortgagee shall assign its rights under this Mortgage in the event of a refinance of the Premises provided the debt is repaid in full in connection therewith and such assignment is made without recourse and without representation or warranty and further provided that Mortgagee hereby agrees to pay to Mortgagee an assignment fee of \$5,000.00 (the "Assignment Fee") and to pay the reasonable fees of Mortgagee's counsel to prepare such assignment, notwithstanding the foregoing, this Assignment Fee shall be in addition to not substitution for any Exit Fee that may or may not be due in accordance with the terms and conditions of the Loan Documents.

42. MAXIMUM AMOUNT OF INDEBTEDNESS. Notwithstanding anything to the contrary in his Mortgage, the maximum aggregate principal amount of indebtedness that is, or under any contingency may be, secured by this Mortgage (including Mortgagor's obligation to reimburse advances made by Mortgagee), either at execution or any time thereafter is \$3,000,000.00 (the "Secured Amount"), plus all interest, amounts that Mortgagee has advanced to Mortgagor in accordance with the Loan Documents and that Mortgagee expends after a declaration of default under the Mortgage to the extent that any such amounts shall constitute payment of (i) taxes, charges or assessments that may be imposed by law upon the Premises; (ii) premiums on insurance policies covering the Premises; (iii) expenses incurred in upholding the lien of this Mortgage, including the expenses of any litigation to prosecute or defend the rights and lien created by this Mortgage; or, (iv) any amount, cost or charge to which

Mortgagee becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority; then, in each such event, such amounts or costs, together with interest thereon, shall be added to the indebtedness secured hereby and shall be secured by this Mortgage.

43. PARTIAL RELEASE. Mortgagee hereby agrees to release Lot 7 from the lien of this Mortgage upon the delivery of an opinion of counsel satisfactory to the Mortgagee, and Mortgagee's counsel that after release of Lot 7, the Plans and Specifications and the Project comply with zoning, such opinion to be in form satisfactory to Mortgagee and Mortgagee's Counsel for a release price of One Dollar, ("Release Price"). In addition to the Release Price, Mortgagor shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements and all title insurance premiums, recording fees, taxes and charges, incurred by Mortgagee in connection with the matters to be approved or performed herein. The Mortgagor shall execute and deliver (or shall have caused to be executed and delivered) to the Mortgagee all of the documents necessary, if any, to modify the Loan Documents.

Signature Page Follows

IN WITNESS WHEREOF, this Mortgage has been duly executed by Mortgagor the day and year first above written.

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President

ACKNOWLEDGMENT

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014



First American Title Insurance Company

Title No. 3008-327413

SCHEDULE "A"

PARCEL 1

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOT 1 & LOT 7, BLOCK 7920;

2. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 216.67 FEET TO A POINT, THENCE;

3. NORTH 18° - 59' - 57" EAST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

4. NORTH 41° 29' 51" WEST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE; THE FOLLOWING FOURTEEN (14) COURSES ALONG THE LINE DIVIDING LOTS 1 AND 6, BLOCK 7920:

5. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;

6. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;

7. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

8. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;

9. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

10. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;

11. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

12. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

13. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

14. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

16. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

18. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;
19. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 50.89 FEET TO A POINT IN THE DIVIDING LINE BETWEEN SAID LOT 1 AND LOT 20, BLOCK 7920, THENCE; ALONG SAID DIVIDING LINE THE FOLLOWING SIX (6) COURSES:
 20. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 656.37 FEET TO A POINT, THENCE;
 21. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE;
 22. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;
 23. NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;
 24. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;
 25. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT ON THE DIVIDING LINE BETWEEN THE AFOREMENTIONED LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 26. NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;
 27. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 614.80 FEET TO A POINT ON THE DIVIDING LINE OF AFOREMENTIONED LOT 1, BLOCK 7920 AND LOT 5, BLOCK 7920, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 28. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 80.40 FEET TO A POINT, THENCE;
 29. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 105.20 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 30. ALONG THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 37.40 FEET TO A POINT IN THE DIVIDING LINE OF LOT 1 AND LOT 4, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE DIVIDING LINE:
 31. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 80.20 FEET TO A POINT, THENCE;
 32. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 181.90 FEET TO A POINT, THENCE;
 33. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 34. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 88.15 FEET TO A POINT, FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;
 35. ALONG THE WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 45.72 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 3, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

36. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
37. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 93.90 FEET TO A POINT, THENCE;
38. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF AFOREMENTIONED AVENUE "D", THENCE;
39. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 36.50 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 2, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:
 40. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
 41. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO A POINT, THENCE;
 42. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF SAID AVENUE "D", THENCE;
43. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 429.18 FEET TO A POINT, THENCE;
44. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 2

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT NORTH 12° - 50' - 49" EAST, A DISTANCE OF 429.19 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 2 AND LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH 12° - 50' - 49" EAST, A DISTANCE OF 106.10 FEET TO A POINT;
3. THENCE SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY SIDE OF AFOREMENTIONED AVENUE "D";

THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 3

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 45.72 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 93.90 FEET TO A POINT;

THENCE THROUGH THE INTERIOR OF LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH $77^{\circ} - 09' - 11''$ WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH $12^{\circ} - 50' - 49''$ EAST, A DISTANCE OF 93.90 FEET TO A POINT;
3. THENCE SOUTH $77^{\circ} - 09' - 11''$ EAST, A DISTANCE OF 73.20 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 4

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 88.14 FEET FROM A POINT FORMED BY THE INTERSECTION OF WESTERLY LINE OF AVENUE "D" (80 FEET WIDE) WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 4, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.20 FEET TO A POINT;
2. THENCE NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 181.90 FEET TO A POINT;
3. THENCE NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE;

THENCE ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 181.90 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 5

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 307.45 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920, THE FOLLOWING TWO (2) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 105.20 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

2. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.40 FEET TO THE POINT OF INTERSECTION FORMED BY THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE;

3. ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 105.20 FEET TO A POINT IN THE WESTERLY LINE OF AFOREMENTIONED REMSEN AVENUE, THENCE;

4. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.40 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 6

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

A. NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;

B. ALONG SAID DIVIDING LINE BETWEEN LOTS 1 & 7 AND LOT 20, BLOCK 7920, NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 218.72 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; THE FOLLOWING TWO (2) COURSES RUNNING ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 20, BLOCK, 7920:

1. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 358.28 FEET TO A POINT, THENCE;

2. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 128.63 FEET TO A POINT, THENCE; THE FOLLOWING NINE (9) COURSES ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 1, BLOCK 7920:

3. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 50.89 FEET TO A POINT, THENCE;

4. SOUTH $48^{\circ} - 30' - 09''$ WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

5. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

6. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

7. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

8. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

9. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

10. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

11. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;
12. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;
13. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
14. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;
15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
16. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;
17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;
18. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 314.25 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 7

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

- A. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;
- B. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;
 1. ALONG THE DIVIDING LINE BETWEEN LOT 7 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 65.58 FEET TO A POINT, THENCE;
 2. ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 7, BLOCK 7920, NORTH 48° - 30' - 09" EAST, A DISTANCE OF 314.25 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOTS 7 AND 1, BLOCK 7920:
 3. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE;
 4. SOUTH 18° - 59' - 57" WEST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;
 5. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 216.67 FEET TO THE POINT AND PLACE OF BEGINNING.

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

PERIMETER DESCRIPTION OF PARCELS 1, 2, 3, 4, 5, 6 AND 7

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 577.00 FEET TO A POINT, THENCE;

SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 785.00 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE BETWEEN LOT 1, BLOCK 7920 AND THE LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD:

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;

NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT, THENCE;

NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;

NORTH 48° - 30' - 00" EAST, A DISTANCE OF 720.00 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 387.85 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 711.40 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE FOREMENTIONED NORTHERLY LINE OF FOSTER AVENUE, THENCE;

ALONG SAID NORTHERLY LINE OF FOSTER AVENUE, SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

THE policy to be issued under this report will insure the title to such buildings and improvements erected on the premises, which by law constitute real property.

FOR CONVEYANCING ONLY: TOGETHER with all the right, title and interest of the party of the first part, of in and to the land lying in the street in front of and adjoining said premises.



MORTGAGE NOTE
New York

January 19, 2011

\$1,562,500.00

BORROWER (Name): CANARSIE PLAZA LLC
(Organizational Structure): limited liability company
(State Law organized under): Delaware
(Address of chief executive office): c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

LENDER: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation with its banking offices at One M&T Plaza, Buffalo, New York 14203 Attn: Office of the General Counsel ("M&T") individually as a lender and as the administrative agent for itself and **Capital One, N.A.**, as a lender (the "**Co-Lender**") and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group (the "**Lender**").

Definitions. The following terms shall have the indicated meanings in this Note, capitalized terms used herein but not otherwise defined herein shall have their respective meanings ascribed to them in the Loan Agreement:

1. "Building Loan Agreement" shall mean the building loan agreement between Borrower and the Lender dated January 12, 2010, as supplemented by the supplemental building loan agreement, dated as of the date hereof and as the same may be further supplemented, amended, modified or replaced from time to time in connection with the construction and mortgage financing of real property described in the Mortgage.
2. "Escrow" shall mean any escrow requirement under the Mortgage or the Loan Agreement for the payment of taxes and/or other charges.
3. "First Payment Date" shall mean the first day of February, 2011.
4. "Loan Agreement" shall mean the loan agreement between Borrower and the Lender dated the date hereof in connection with the mortgage financing of real property described in the Mortgage, as the same may be amended, modified or replaced from time to time.
5. "Loan Documents" shall mean this Note, the Loan Agreement, the Building Loan Agreement, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Lender in connection with this Note, the Loan Agreement or the Building Loan Agreement.
6. "Maturity Date" is the earlier of (i) January 12, 2012; or (ii) any earlier date on which this Note is required to be paid in full, by acceleration or otherwise, under the Loan Agreement or any of the other Loan Documents.
7. "Mortgage" shall mean the supplemental building loan mortgage dated on or about the date of this Note executed by Borrower, as the same may be amended, modified or replaced from time to time, securing obligations arising pursuant to or in connection with this Note.
8. "Principal Sum" shall mean One Million Five Hundred Sixty Two Thousand Five Hundred Dollars (\$1,562,500.00).

Promise to Pay. For value received, and intending to be legally bound, the undersigned Borrower promises to pay to the order of M&T at its office identified above in lawful money of the United States and in immediately available funds, the Principal Sum or so much thereof as may be advanced, plus interest on the unpaid portion of the Principal Sum, all amounts, if any, required for the Escrow, and all Expenses (defined below).

Interest. The unpaid Principal Sum advanced to Borrower under this Note shall accrue interest each day from and including the date proceeds of this Note are advanced to, but not including, the date all amounts hereunder are paid in full, at a variable per annum rate that shall be equal to the LIBOR Rate, as defined in the Rider, **provided, however that**, at any time from the date that is forty-five (45) days before the Maturity Date until the Maturity Date, the Borrower may select the Base Rate, as defined in the Rider, by notifying Lender in writing of its selection, **provided, further that**, the Borrower may not choose the LIBOR Rate if any loan at the LIBOR Rate would extend beyond the Maturity Date. **The definition of LIBOR, LIBOR Rate, adjustments to the LIBOR Rate and other provisions relative thereto are contained on the Rider attached hereto and made a part of this Note.**

Interest will be calculated on the basis of a 360-day year consisting of twelve (12) months with the actual number of days of each month (28, 29, 30 or 31).

Maximum Legal Rate. It is the intent of the Lender and Borrower that in no event shall such interest be payable at a rate in excess of the maximum rate permitted by applicable law (the "Maximum Legal Rate"). Solely to the extent necessary to prevent interest under this Note from exceeding the Maximum Legal Rate, Borrower agrees that any amount that would be treated as excessive under a final judicial interpretation of applicable law shall be deemed to have been a mistake and automatically canceled and if received by the Lender shall be refunded to Borrower, without interest.

Default Rate. Upon an Event of Default under any of the Loan Documents or immediately after maturity (whether due to the Maturity Date, by acceleration or otherwise) and continuing through a foreclosure sale, if any, until such time as title is transferred pursuant to such foreclosure sale, the interest rate on the unpaid Principal Sum shall be increased to a rate per annum of **twenty-four percent (24%)** (the "Default Rate"). Any judgment entered hereon or otherwise in connection with any suit to collect amounts due hereunder shall bear interest at such Default Rate. No failure to impose or delay in imposing the Default Rate shall be construed as a waiver by the Lender of its right to collect, and Borrower's obligation to pay, interest at the Default Rate effective as of the date of maturity (whether due to the Maturity Date, by acceleration or otherwise).

Repayment of Principal and Interest. Borrower shall pay the Principal Sum and interest owing pursuant to this Note to the Lender as follows:

- (i) Borrower shall pay accrued interest to Lender on the First Payment Date and on the first Business Day of each month thereafter to, but not including, the Maturity Date; and
- (ii) On the Maturity Date, Borrower shall pay the outstanding Principal Sum and all accrued and unpaid interest, premiums, Expenses and all other amounts owing pursuant to this Note and the Loan Documents and remaining unpaid.

Late Charge. If Borrower fails to pay, within five (5) days of its due date, any amount due and owing pursuant to this Note or the Loan Documents, including, without limitation, any Escrow payment due and owing, Borrower shall immediately pay to the Lender a late charge equal to five percent (5%) of the delinquent amount (the "Late Fee"); provided, however, if Borrower has timely satisfied all conditions for an interest advance under the Loan Documents and there is sufficient availability under the construction budget and under the Loan to make a requested interest advance and Lender fails to make such an advance for any reason not within the control of Borrower, then a Late Fee shall not accrue with respect to such Interest payment.

Application of Payments. Payments may be applied in any order at the sole discretion of the Lender, but prior to an Event of Default or Maturity Date, each payment pursuant to this Note shall be applied first to accrued and unpaid interest, next to principal due, next to the Escrow, next to late charges, and finally to Expenses, notwithstanding the foregoing in the sole discretion of the Lending Group, any partial payments may be applied to the payment of the Loan and/or the Mortgage Loan as such terms are defined in the Building Loan Agreement.

Prepayment. Except to the extent provided in the paragraph entitled "Exit Fee" otherwise provided herein, Borrower shall have the option of paying the Principal Sum to the Lender in advance of the Maturity Date, in whole or in part, at any time and from time to time upon written notice received by the Lender at least thirty (30) days prior to making such payment; provided, however, that together with such prepayment, Borrower shall pay to the Lender the Breakage Fee set forth on the Rider, attached to and made a part of this Note by reference. Upon making any prepayment of the Principal Sum in whole, Borrower shall pay to the Lender all interest and Expenses owing pursuant to this Note or the Loan Documents and remaining unpaid. Any partial payment of the Principal Sum shall be applied in inverse order of maturity. In the event the Maturity Date of this Note is accelerated following an Event of Default, any tender of payment of the amount necessary to satisfy the entire indebtedness made after such Event of Default shall be expressly deemed a voluntary prepayment. In such a case, to the extent permitted by law, the Lender shall be entitled to the amount necessary to satisfy the entire indebtedness, plus the Breakage Fee.

Exit Fee. Borrower shall pay to the Lender, at the time of repayment of the Principal Sum, whether at the Maturity Date or otherwise, an "Exit Fee" equal to one-quarter of one percent (.25%) of the Principal Sum repaid; provided, however, that such Exit Fee shall be waived if:

(a) the Principal Sum is refinanced with the Lending Group; or

(b) Borrower elects to refinance the Principal Sum with a qualified third-party lender, provided:

(i) Borrower has first provided the Lending Group with written notice that it has initiated discussions with a third-party lender; and

(ii) Borrower has provided Lending Group with a copy of a bona fide proposal for financing from such third-party lender. Such proposal shall be deemed to have been submitted to the Lending Group no earlier than ten (10) Business Days after the date of such notice provided for in item (i) above; and

(iii) The Lending Group does not provide a refinancing proposal within twenty-one (21) Business Days of receipt of the third-party proposal that is substantially similar with respect to amount of loan proceeds, term, level of recourse, if any, interest rate and fees.

Borrower acknowledges and agrees that any breach of its obligations hereunder shall constitute an Event of Default under this Note.

Business Purpose. This Note is being given by Borrower to the Lender in connection with the construction and mortgage financing of real property described in Mortgage and Borrower represents and warrants that the indebtedness evidenced by this Note is for a business purpose.

Events of Default; Acceleration. This Note is issued pursuant to the Loan Agreement and is secured by the Mortgage, and the Lender is entitled to the benefits thereof. Any Event of Default (as defined in the Mortgage, the Loan Agreement or the Building Loan Agreement) is an "Event of Default" under this Note, including, without limitation, Borrower's breach of any obligations hereunder. The maturity of this Note shall be accelerated and all amounts under this Note shall become immediately due and payable without any notice, demand, presentment or protest of any kind (each of which is waived by Borrower) (a) automatically, if Borrower or Mortgagor commences any bankruptcy or insolvency proceeding, if voluntary, or upon the lapse of sixty (60) days without dismissal thereof, if involuntary; (b) at the sole option of the Lender, upon or at any time or from time to time after the existence of an Event of Default; and (c) upon the Maturity Date. After maturity (whether due to the Maturity Date, by acceleration or otherwise), interest on the outstanding Principal Sum shall accrue at the Default Rate and the Lender's acceptance of any partial payment of the outstanding Principal Sum and/or payment of accrued interest shall not affect that all amounts under this Note are due and payable in full.

Expenses. Borrower shall pay to the Lender and to Co-Lender on demand each reasonable cost and expense (including, but not limited to, the reasonable fees and disbursements of counsel to the Lender and to Co-Lender, whether internal or external and whether retained for advice, for litigation or for any other purpose) incurred by the Lender, the Co-Lender or their respective agents either directly or indirectly in connection with this Note including, without limitation, endeavoring to (1) collect any amount owing pursuant to this Note or negotiate or document a workout or restructuring; (2) enforce or realize upon any guaranty, endorsement or other assurance, any collateral or other security, or any subordination, directly or indirectly securing or otherwise directly or indirectly applicable in any such amount; or (3) preserve or exercise any right or remedy of the Lender and the Co-Lender pursuant to this Note (the "Expenses").

Right of Setoff. The Lender and the Co-Lender shall have the right to set off against the amounts owing under this Note any property held in a deposit or other account with the Lender or the Co-Lender or otherwise owing by the Lender or the Co-Lender in any capacity to Borrower or any endorser of this Note. Such set-off shall be deemed to have been exercised immediately at the time the Lender, the Co-Lender or such affiliate elects to do so.

Miscellaneous. This Note and any other document required to be executed by Borrower or any guarantor or other party in connection with the transaction contemplated hereby constitute the entire agreement and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transactions. All rights and remedies of the Lender under applicable law, the Mortgage, the Loan Agreement, this Note or any document in connection with the transaction contemplated hereby or amendment thereof are cumulative and not exclusive. No single, partial or delayed exercise by the Lender of any right or remedy shall preclude the subsequent exercise by the Lender at any time of any right or remedy of the Lender without notice. No waiver or amendment of any provision of this Note shall be effective unless made specifically in writing by the Lender. No course of dealing or other conduct, no oral agreement or representation made by the Lender, and no usage of trade, shall operate as a waiver of any right or remedy of the Lender. Borrower agrees that in any legal proceeding, a copy of this Note kept in the Lender's course of business may be admitted into evidence as an original. This Note is a binding obligation enforceable against Borrower and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns. If a court deems any provision of this Note invalid, the remainder of the Note shall remain in effect. Section headings are for convenience only. Singular number includes plural and neuter gender includes masculine and feminine as appropriate.

Time is of the essence as to all dates set forth herein, provided, however, that whenever performance hereunder would be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under applicable federal law and, if no applicable federal law exists, then the applicable state law (any other day being a "Business Day"), such performance shall be made on the next succeeding Business Day.

Notices. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Borrower or to the Lender, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this section). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) Business Days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) Business Day after delivery to a nationally recognized overnight courier service (*e.g.*, Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Borrower and the Lender.

Lender: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: Office of General Counsel

with a copy to: DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Borrower: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Robert Masters, Esq.

Joint and Several. If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts and obligations which become due under this Note and the term "Borrower" shall include each as well as all of them.

Governing Law; Jurisdiction. This Note has been delivered to and accepted by the Lender and will be deemed to be made in the State of New York. Except as otherwise provided under federal law, this Note will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **BORROWER AND LENDER HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK IN NEW YORK OR WESTCHESTER COUNTY, AND CONSENTS THAT THE LENDER MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS NOTE WILL PREVENT THE LENDER FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Lender and Borrower. Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

Waiver of Jury Trial. **BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY BORROWER AND THE LENDER MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS NOTE OR THE TRANSACTIONS RELATED HERETO. BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE LENDER WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT THE LENDER HAS BEEN INDUCED TO ENTER INTO THIS NOTE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

Recourse Liability. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "**Exculpated Party**") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Lender and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014

FOR INTERNAL USE ONLY

Authorization Confirmed: _____



**RIDER TO
MORTGAGE NOTE
(LIBOR Rider)**

Borrower: Canarsie Plaza LLC
Mortgage Note Original Principal Amount: \$1,562,500.00
Mortgage Note Date: January 19, 2011

Definitions. As used in this Rider, each capitalized term shall have the meaning specified in the Note and the following terms shall have the indicated meanings:

- 1) **“Adjustment Date”** shall be the first calendar day of each month.
- 2) **“Applicable Interest Rate”** shall mean either the LIBOR Rate or the Base Rate, as the case may be.
- 3) **“Base Month”** shall mean the first month following the month in which the Note Set Date occurs. For example, if the Note Set Date is March 10, then the “Base Month” would be April.
- 4) **“Base Rate”** shall be equal to the greater of (a) the rate of interest announced by the Lender as its prime rate of interest in effect on the first day of each calendar month, plus one (1) percentage point or (b) an interest rate floor of 6.50% (the **“Interest Rate Floor”**).
- 5) **“Joint Business Day”** shall mean any day of the year on which banking institutions in New York, New York are not authorized or required by law or other governmental action to close and, in connection with the LIBOR Rate, on which dealings are carried on in the London Interbank market.
- 6) **“LIBOR”** means the rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) obtained by dividing (i) the one month interest period London Interbank Offered Rate for United States dollar deposits in the London interbank market at approximately 11:00 a.m. London, England time (or as soon thereafter as practicable), as determined by the Lender from any broker, quoting service or commonly available source utilized by the Lender or its agents, by (ii) a percentage equal to 100% minus the stated maximum rate of all reserves required to be maintained against “Eurocurrency Liabilities” as specified in Regulation D (or against any other category of liabilities which includes deposits by reference to which the interest rate on any loan bearing interest at a LIBOR Rate is determined, or any category of extensions of credit or other assets which includes loans by a non-United States office of a bank to United States residents) on such date to any member bank of the Federal Reserve System. Notwithstanding any provision above, the practice of rounding to determine LIBOR may be discontinued at any time in the Lender’s sole discretion.
- 7) **“LIBOR Rate”** shall mean the greater of (a) 4.00% percentage points above LIBOR or (b) the Interest Rate Floor.
- 8) **“Note Set Date”** shall mean the date the first advance is made to Borrower.

LIBOR Rate Adjustments. The LIBOR Rate shall be initially based on one month LIBOR in effect two (2) Joint Business Days before the Note Set Date, then adjusted on the first calendar day of the Base Month using the LIBOR in effect two (2) Joint Business Days prior to that first calendar day of the Base Month. Thereafter, the LIBOR rate shall be adjusted on the Adjustment Date based on the applicable LIBOR in effect two (2) Joint Business Days prior to the respective Adjustment Date.

Inability to Determine LIBOR Rates. If the Lender shall determine that for any reason adequate and reasonable means do not exist for ascertaining LIBOR with respect to this Note, the Lender will give notice of such determination to Borrower. Upon such determination and notice, the Lender may convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate. Thereafter, the Lender may not maintain the Applicable Rate at the LIBOR Rate hereunder until the Lender revokes such notice in writing.

Increased Cost. If the Lender shall determine that due to either (a) the introduction of any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of LIBOR) in or in the interpretation of any requirement of law, or (b) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to the Lender of agreeing to make or making, funding or maintaining any loan at the LIBOR Rate, Borrower shall be liable for, and shall from time to time, upon demand therefor by the Lender, pay to the Lender such additional amounts as are sufficient to compensate the Lender for such increased costs.

Illegality. If the Lender shall determine that the introduction of any law (statutory or common), treaty, rule, regulation, guideline or determination of an arbitrator or of a governmental authority or in the interpretation or administration thereof, has made it unlawful, or that any central bank or other governmental authority has asserted that it is unlawful for the Lender to make a loan at the LIBOR Rate then, on notice thereof by the Lender to Borrower, the Lender may suspend maintaining this loan at the LIBOR Rate until the Lender shall have notified Borrower that the circumstances giving rise to such determination shall no longer exist and the Lender may convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate.

Conversion. The Lender may, in its sole discretion, convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate upon the occurrence of an Event of Default. The Applicable Rate shall automatically convert from the LIBOR Rate to the Base Rate on the date Borrower commences, or has commenced against it, any proceeding or request for relief under any bankruptcy, insolvency or similar laws now or hereafter in effect in the United States of America or any state or territory thereof or any foreign jurisdiction or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Borrower.

Default Rate. Notwithstanding anything to the contrary in the Note, the default rate of interest that the Lender may charge under the Note shall be **at a rate per annum of twenty-four percent (24%)**. Nothing herein shall be construed to be a waiver by the Lender to have any Loan accrue interest at the default rate or other rights of the Lender set forth in this Note.

Prepayment. If Borrower prepays any principal amount (in whole or in part) when the Applicable Rate is the LIBOR Rate on or as of any day other than the last day of the selected interest period (other than regular installments of principal as set forth in the Note), or there is a conversion from the LIBOR Rate to the Base Rate, pursuant to the terms of this Note, on or as of any day other than the last day of the selected interest period, then Borrower shall be liable for and shall pay the Lender, on demand, an amount (the "**Breakage Fee**") equal the actual amount of the liabilities, expenses, costs and/or funding losses that are a direct or indirect result of such prepayment, conversion or other condition described herein, including, without limitation, any liability, expense, cost (including administrative cost) or loss derived from liquidating or employing deposits acquired to fund or maintain the applicable loan through the end of the applicable interest period. The Lender's calculation of any Breakage Fee shall, in the absence of manifest error, be conclusive and binding upon Borrower. Borrower acknowledges and understands that, upon demand for payment or acceleration of maturity (as applicable) of all indebtedness under this Note, any tender of payment made thereafter shall be deemed a voluntary prepayment and, to the extent permitted by law, Borrower shall pay to the Lender the appropriate Breakage Fee in connection therewith.

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President

MORTGAGE NOTE
New York

January 19, 2011

\$1,437,500.00

BORROWER (Name): **CANARSIE PLAZA LLC**

(Organizational Structure): limited liability company

(State Law organized under): Delaware

(Address of chief executive office): c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

LENDER: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation with its banking offices at One M&T Plaza, Buffalo, New York 14203 Attn: Office of the General Counsel ("**M&T**") individually as a lender and as the administrative agent for itself and **Capital One, N.A.**, as a lender (the "**Co-Lender**" and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group (the "**Lender**").

Definitions. The following terms shall have the indicated meanings in this Note, capitalized terms used herein but not otherwise defined herein shall have their respective meanings ascribed to them in the Loan Agreement:

1. "Building Loan Agreement" shall mean the building loan agreement between Borrower and the Lender dated January 12, 2010, as supplemented by the supplemental building loan agreement, dated as of the date hereof and as the same may be further supplemented, amended, modified or replaced from time to time in connection with the construction and mortgage financing of real property described in the Mortgage.
2. "Escrow" shall mean any escrow requirement under the Mortgage or the Loan Agreement for the payment of taxes and/or other charges.
3. "First Payment Date" shall mean the first day of February, 2011.
4. "Loan Agreement" shall mean the loan agreement between Borrower and the Lender dated the date hereof in connection with the mortgage financing of real property described in the Mortgage, as the same may be amended, modified or replaced from time to time.
5. "Loan Documents" shall mean this Note, the Loan Agreement, the Building Loan Agreement, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Lender in connection with this Note, the Loan Agreement or the Building Loan Agreement.
6. "Maturity Date" is the earlier of (i) January 12, 2012; or (ii) any earlier date on which this Note is required to be paid in full, by acceleration or otherwise, under the Loan Agreement or any of the other Loan Documents.
7. "Mortgage" shall mean the supplemental building loan mortgage dated on or about the date of this Note executed by Borrower, as the same may be amended, modified or replaced from time to time, securing obligations arising pursuant to or in connection with this Note.
8. "Principal Sum" shall mean One Million Four Hundred Thirty Seven Thousand Five Hundred Dollars (\$1,437,500.00).

Promise to Pay. For value received, and intending to be legally bound, the undersigned Borrower promises to pay to the order of Co-Lender at Capital One, N.A., Commercial Real Estate, 275, Broadhollow Road, P.O. Box 8914, Melville, NY 11747, Attention: Peter A. Welch, Senior Vice President in lawful money of the United States and in immediately available funds, the Principal Sum or so much thereof as may be advanced, plus interest on the unpaid portion of the Principal Sum, all amounts, if any, required for the Escrow, and all Expenses (defined below).

Interest. The unpaid Principal Sum advanced to Borrower under this Note shall accrue interest each day from and including the date proceeds of this Note are advanced to, but not including, the date all amounts hereunder are paid in full, at a variable per annum rate that shall be equal to the LIBOR Rate, as defined in the Rider, *provided, however that*, at any time from the date that is forty-five (45) days before the Maturity Date until the Maturity Date, the Borrower may select the Base Rate, as defined in the Rider, by notifying Lender in writing of its selection, *provided, further that*, the Borrower may not choose the LIBOR Rate if any loan at the LIBOR Rate would extend beyond the Maturity Date. **The definition of LIBOR, LIBOR Rate, adjustments to the LIBOR Rate and other provisions relative thereto are contained on the Rider attached hereto and made a part of this Note.**

Interest will be calculated on the basis of a 360-day year consisting of twelve (12) months with the actual number of days of each month (28, 29, 30 or 31).

Maximum Legal Rate. It is the intent of the Lender and Borrower that in no event shall such interest be payable at a rate in excess of the maximum rate permitted by applicable law (the "Maximum Legal Rate"). Solely to the extent necessary to prevent interest under this Note from exceeding the Maximum Legal Rate, Borrower agrees that any amount that would be treated as excessive under a final judicial interpretation of applicable law shall be deemed to have been a mistake and automatically canceled and if received by the Lender shall be refunded to Borrower, without interest.

Default Rate. Upon an Event of Default under any of the Loan Documents or immediately after maturity (whether due to the Maturity Date, by acceleration or otherwise) and continuing through a foreclosure sale, if any, until such time as title is transferred pursuant to such foreclosure sale, the interest rate on the unpaid Principal Sum shall be increased to a rate per annum of **twenty-four percent (24%)** (the "Default Rate"). Any judgment entered hereon or otherwise in connection with any suit to collect amounts due hereunder shall bear interest at such Default Rate. No failure to impose or delay in imposing the Default Rate shall be construed as a waiver by the Lender of its right to collect, and Borrower's obligation to pay, interest at the Default Rate effective as of the date of maturity (whether due to the Maturity Date, by acceleration or otherwise).

Repayment of Principal and Interest. Borrower shall pay the Principal Sum and interest owing pursuant to this Note to the Lender as follows:

- (i) Borrower shall pay accrued interest to Lender on the First Payment Date and on the first Business Day of each month thereafter to, but not including, the Maturity Date; and
- (ii) On the Maturity Date, Borrower shall pay the outstanding Principal Sum and all accrued and unpaid interest, premiums, Expenses and all other amounts owing pursuant to this Note and the Loan Documents and remaining unpaid.

Late Charge. If Borrower fails to pay, within five (5) days of its due date, any amount due and owing pursuant to this Note or the Loan Documents, including, without limitation, any Escrow payment due and owing, Borrower shall immediately pay to the Lender a late charge equal to five percent (5%) of the delinquent amount (the "Late Fee"); provided, however, if Borrower has timely satisfied all conditions for an interest advance under the Loan Documents and there is sufficient availability under the construction budget and under the Loan to make a requested interest advance and Lender fails to make such an advance for any reason not within the control of Borrower, then a Late Fee shall not accrue with respect to such Interest payment.

Application of Payments. Payments may be applied in any order at the sole discretion of the Lender, but prior to an Event of Default or Maturity Date, each payment pursuant to this Note shall be applied first to accrued and unpaid interest, next to principal due, next to the Escrow, next to late charges, and finally to Expenses, notwithstanding the foregoing in the sole discretion of the Lending Group, any partial payments may be applied to the payment of the Loan and/or the Mortgage Loan as such terms are defined in the Building Loan Agreement.

Prepayment. Except to the extent provided in the paragraph entitled "Exit Fee" otherwise provided herein, Borrower shall have the option of paying the Principal Sum to the Lender in advance of the Maturity Date, in whole or in part, at any time and from time to time upon written notice received by the Lender at least thirty (30) days prior to making such payment; provided, however, that together with such prepayment, Borrower shall pay to the Lender the

Breakage Fee set forth on the Rider, attached to and made a part of this Note by reference. Upon making any prepayment of the Principal Sum in whole, Borrower shall pay to the Lender all interest and Expenses owing pursuant to this Note or the Loan Documents and remaining unpaid. Any partial payment of the Principal Sum shall be applied in inverse order of maturity. In the event the Maturity Date of this Note is accelerated following an Event of Default, any tender of payment of the amount necessary to satisfy the entire indebtedness made after such Event of Default shall be expressly deemed a voluntary prepayment. In such a case, to the extent permitted by law, the Lender shall be entitled to the amount necessary to satisfy the entire indebtedness, plus the Breakage Fee.

Exit Fee. Borrower shall pay to the Lender, at the time of repayment of the Principal Sum, whether at the Maturity Date or otherwise, an "Exit Fee" equal to one-quarter of one percent (.25%) of the Principal Sum repaid; provided, however, that such Exit Fee shall be waived if:

- (a) the Principal Sum is refinanced with the Lending Group; or
- (b) Borrower elects to refinance the Principal Sum with a qualified third-party lender, provided:
 - (i) Borrower has first provided the Lending Group with written notice that it has initiated discussions with a third-party lender; and
 - (ii) Borrower has provided Lending Group with a copy of a bona fide proposal for financing from such third-party lender. Such proposal shall be deemed to have been submitted to the Lending Group no earlier than ten (10) Business Days after the date of such notice provided for in item (i) above; and
 - (iii) The Lending Group does not provide a refinancing proposal within twenty-one (21) Business Days of receipt of the third-party proposal that is substantially similar with respect to amount of loan proceeds, term, level of recourse, if any, interest rate and fees.

Borrower acknowledges and agrees that any breach of its obligations hereunder shall constitute an Event of Default under this Note.

Business Purpose. This Note is being given by Borrower to the Lender in connection with the construction and mortgage financing of real property described in Mortgage and Borrower represents and warrants that the indebtedness evidenced by this Note is for a business purpose.

Events of Default; Acceleration. This Note is issued pursuant to the Loan Agreement and is secured by the Mortgage, and the Lender is entitled to the benefits thereof. Any Event of Default (as defined in the Mortgage, the Loan Agreement or the Building Loan Agreement) is an "Event of Default" under this Note, including, without limitation, Borrower's breach of any obligations hereunder. The maturity of this Note shall be accelerated and all amounts under this Note shall become immediately due and payable without any notice, demand, presentment or protest of any kind (each of which is waived by Borrower) (a) automatically, if Borrower or Mortgagor commences any bankruptcy or insolvency proceeding, if voluntary, or upon the lapse of sixty (60) days without dismissal thereof, if involuntary; (b) at the sole option of the Lender, upon or at any time or from time to time after the existence of an Event of Default; and (c) upon the Maturity Date. After maturity (whether due to the Maturity Date, by acceleration or otherwise), interest on the outstanding Principal Sum shall accrue at the Default Rate and the Lender's acceptance of any partial payment of the outstanding Principal Sum and/or payment of accrued interest shall not affect that all amounts under this Note are due and payable in full.

Expenses. Borrower shall pay to the Lender and to Co-Lender on demand each reasonable cost and expense (including, but not limited to, the reasonable fees and disbursements of counsel to the Lender and to Co-Lender, whether internal or external and whether retained for advice, for litigation or for any other purpose) incurred by the Lender, the Co-Lender or their respective agents either directly or indirectly in connection with this Note including, without

limitation, endeavoring to (1) collect any amount owing pursuant to this Note or negotiate or document a workout or restructuring; (2) enforce or realize upon any guaranty, endorsement or other assurance, any collateral or other security, or any subordination, directly or indirectly securing or otherwise directly or indirectly applicable in any such amount; or (3) preserve or exercise any right or remedy of the Lender and the Co-Lender pursuant to this Note (the "Expenses").

Right of Setoff. The Lender and the Co-Lender shall have the right to set off against the amounts owing under this Note any property held in a deposit or other account with the Lender or the Co-Lender or otherwise owing by the Lender or the Co-Lender in any capacity to Borrower or any endorser of this Note. Such set-off shall be deemed to have been exercised immediately at the time the Lender, the Co-Lender or such affiliate elects to do so.

Miscellaneous. This Note and any other document required to be executed by Borrower or any guarantor or other party in connection with the transaction contemplated hereby constitute the entire agreement and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transactions. All rights and remedies of the Lender under applicable law, the Mortgage, the Loan Agreement, this Note or any document in connection with the transaction contemplated hereby or amendment thereof are cumulative and not exclusive. No single, partial or delayed exercise by the Lender of any right or remedy shall preclude the subsequent exercise by the Lender at any time of any right or remedy of the Lender without notice. No waiver or amendment of any provision of this Note shall be effective unless made specifically in writing by the Lender. No course of dealing or other conduct, no oral agreement or representation made by the Lender, and no usage of trade, shall operate as a waiver of any right or remedy of the Lender. Borrower agrees that in any legal proceeding, a copy of this Note kept in the Lender's course of business may be admitted into evidence as an original. This Note is a binding obligation enforceable against Borrower and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns. If a court deems any provision of this Note invalid, the remainder of the Note shall remain in effect. Section headings are for convenience only. Singular number includes plural and neuter gender includes masculine and feminine as appropriate.

Time is of the essence as to all dates set forth herein, provided, however, that whenever performance hereunder would be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under applicable federal law and, if no applicable federal law exists, then the applicable state law (any other day being a "Business Day"), such performance shall be made on the next succeeding Business Day.

Notices. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Borrower or to the Lender, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this section). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) Business Days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) Business Day after delivery to a nationally recognized overnight courier service (e.g., Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Borrower and the Lender.

Lender: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: Office of General Counsel

with a copy (which shall not constitute notice) to:
DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Co-Lender: Capital One, N.A.
Commercial Real Estate
275 Broadhollow Road
P. O. Box 8914
Melville, NY 11747
Attention: Peter A. Welch, Senior Vice President

with a copy to: Capital One Bank
90 Park Avenue, 4th Floor
New York, NY 10016
Attention: Chris Cho, Vice President

with a copy (which shall not constitute notice) to:
Riemer & Braunstein LLP
Times Square Tower, Suite 2506
Seven Times Square
New York, NY 10036
Attention: Jeffrey Page, Esq.

If to Borrower: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Robert Masters, Esq.

Joint and Several. If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts and obligations which become due under this Note and the term "Borrower" shall include each as well as all of them.

Governing Law; Jurisdiction. This Note has been delivered to and accepted by the Lender and will be deemed to be made in the State of New York. Except as otherwise provided under federal law, this Note will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **BORROWER AND LENDER HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK IN NEW YORK OR WESTCHESTER COUNTY, AND CONSENTS THAT THE LENDER MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS NOTE WILL PREVENT THE LENDER FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Lender and Borrower. Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

Waiver of Jury Trial. BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY BORROWER AND THE LENDER MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS NOTE OR THE TRANSACTIONS RELATED HERETO. BORROWER REPRESENTS AND WARRANTS

THAT NO REPRESENTATIVE OR AGENT OF THE LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE LENDER WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT THE LENDER HAS BEEN INDUCED TO ENTER INTO THIS NOTE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

Recourse Liability. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "Exculpated Party.") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Lender and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Lender or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this paragraph shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees). Notwithstanding the foregoing provisions of this paragraph, each Exculpated Party shall be personally (and on a full recourse basis) liable for and shall indemnify and defend Lender and the Lending Group from and against, and shall hold Lender and the Lending Group harmless of, from and against any deficiency, liability, loss, damage, costs, and expenses (including legal fees and disbursements) suffered by Lender and/or the Lending Group and caused by, or arising out of or as a result of any of the following: (i) such Person's commission of a criminal act, (ii) such Person's failure to comply with the provisions of the Loan Documents prohibiting a transfer or Change of Control; (iii) such Person's misappropriation of any cash flow or other revenue derived from or in respect of the Project, including security deposits, insurance proceeds, condemnation awards, or any rental, sales or other income derived directly or indirectly from the Project, or the misapplication of any of the foregoing sums, in either event, in contravention of any provision of the Mortgage or the other Loan Documents; (iv) such Person's fraud or misrepresentation or inaccurate certification made at any time in connection with the Loan Documents or the Indebtedness; (v) such Person's intentional interference with Lender's (or the Lending Groups') exercise of its rights under any of the Loan Documents; (vi) such Person's intentional destruction or removal of fixtures or personal property securing the Obligations unless replaced by items of equal value and utility; (vii) such Person's misapplication or misappropriation of funds disbursed from the Project Fund; (viii) such Person's commissions of intentional waste to or of the Project or any portion thereof or failure to maintain the Project and the Premises in the manner required by the Loan Documents; (ix) failure to maintain the insurance coverage required by the Loan Documents; (x) failure to pay taxes, assessments and any other charges, including, without limitation, charges for labor or materials, which could result in prior liens against any portion of the Project; (xi) willful misconduct; (xii) Borrower files a voluntary petition under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiii) such Person files or joins in the filing of, or solicits or acts in concert with, or colludes or conspires with petitioning creditors with respect to, an involuntary petition against Borrower under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiv) Borrower files an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xv) such Person consents to or acquiesces in or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any portion of the Project; or (xvi) Borrower makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due.

Preauthorized Transfers from Deposit Account. If a deposit account number is provided in the following blank Borrower hereby authorizes the Lender to debit Borrower's deposit account # _____ with the Lender automatically for any amount which becomes due under this Note.

Acknowledgment. Borrower acknowledges that it has read and understands all the provisions of this Note, including the **Governing Law, Jurisdiction** and **Waiver of Jury Trial**, and has been advised by counsel as necessary or appropriate.

BORROWER

Canarsie Plaza LLC

By: /s/ Robert Masters

Robert Masters
Senior Vice President

STATE OF NEW YORK)
: ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014

FOR INTERNAL USE ONLY

Authorization Confirmed: _____

**RIDER TO
MORTGAGE NOTE
(LIBOR Rider)**

Borrower: Canarsie Plaza LLC
Mortgage Note Original Principal Amount: \$1,437,500.00
Mortgage Note Date: January 19, 2011

Definitions. As used in this Rider, each capitalized term shall have the meaning specified in the Note and the following terms shall have the indicated meanings:

- 1) **“Adjustment Date”** shall be the first calendar day of each month.
- 2) **“Applicable Interest Rate”** shall mean either the LIBOR Rate or the Base Rate, as the case may be.
- 3) **“Base Month”** shall mean the first month following the month in which the Note Set Date occurs. For example, if the Note Set Date is March 10, then the “Base Month” would be April.
- 4) **“Base Rate”** shall be equal to the greater of (a) the rate of interest announced by the Lender as its prime rate of interest in effect on the first day of each calendar month, plus one (1) percentage point or (b) an interest rate floor of 6.50% (the **“Interest Rate Floor”**).
- 5) **“Joint Business Day”** shall mean any day of the year on which banking institutions in New York, New York are not authorized or required by law or other governmental action to close and, in connection with the LIBOR Rate, on which dealings are carried on in the London Interbank market.
- 6) **“LIBOR”** means the rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) obtained by dividing (i) the one month interest period London Interbank Offered Rate for United States dollar deposits in the London interbank market at approximately 11:00 a.m. London, England time (or as soon thereafter as practicable), as determined by the Lender from any broker, quoting service or commonly available source utilized by the Lender or its agents, by (ii) a percentage equal to 100% minus the stated maximum rate of all reserves required to be maintained against “Eurocurrency Liabilities” as specified in Regulation D (or against any other category of liabilities which includes deposits by reference to which the interest rate on any loan bearing interest at a LIBOR Rate is determined, or any category of extensions of credit or other assets which includes loans by a non-United States office of a bank to United States residents) on such date to any member bank of the Federal Reserve System. Notwithstanding any provision above, the practice of rounding to determine LIBOR may be discontinued at any time in the Lender’s sole discretion.
- 7) **“LIBOR Rate”** shall mean the greater of (a) 4.00% percentage points above LIBOR or (b) the Interest Rate Floor.
- 8) **“Note Set Date”** shall mean the date the first advance is made to Borrower.

LIBOR Rate Adjustments. The LIBOR Rate shall be initially based on one month LIBOR in effect two (2) Joint Business Days before the Note Set Date, then adjusted on the first calendar day of the Base Month using the LIBOR in effect two (2) Joint Business Days prior to that first calendar day of the Base Month. Thereafter, the LIBOR rate shall be adjusted on the Adjustment Date based on the applicable LIBOR in effect two (2) Joint Business Days prior to the respective Adjustment Date.

**AFFIDAVIT PURSUANT TO SECTION 255 OF
THE TAX LAW OF THE STATE OF NEW YORK
(General Assignment of Rents)**

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

ROBERT MASTERS (the "Deponent"), as Senior Vice President of CANARSIE PLAZA LLC (the "Borrower"), being duly sworn, deposes and says:

1. The Borrower is the holder of a fee interest in the premises commonly known as 8925 Foster Avenue, 8901 Avenue D, 8915 Avenue D, 870 Remsen Avenue, 856 Remsen Avenue, 8707 Foster Avenue, and 8709 Foster Avenue, Canarsie, New York 11236 (the "Premises"), more particularly described in a mortgage of even date herewith and the undersigned is fully familiar with the facts set forth herein.
2. A Supplemental Building Loan Mortgage (the "Supplemental Mortgage") made between the Borrower and MANUFACTURERS AND TRADERS TRUST COMPANY ("M&T"), as the administrative agent for itself and other lenders (referred to collectively with M&T as the "Bank") dated as of the date hereof in the principal sum of \$3,000,000.00 has been offered for recording simultaneously herewith and a mortgage tax of ~~\$84,000.00~~ due upon the recording of the Supplemental Mortgage presented for recording, simultaneously herewith are being paid at this time
3. As collateral security for the Mortgage, Borrower has this day also executed and delivered a General Assignment of Rents (the "Assignment") encumbering the Premises, which Assignment is also being offered herewith for recording. The Assignment is additional security for the Supplemental Mortgage only, and secures no other or additional indebtedness of the Borrower to the Bank.
4. Since the Assignment does not create or secure a new or further indebtedness beyond the indebtedness which is already secured, or which under any contingency may be secured by the foregoing Supplemental Mortgage, your deponent respectfully requests exemption from further tax under Section 255 Article II of the Tax Law.

CANARSIE PLAZA LLC

By: /s/ Robert Masters
Name: **ROBERT MASTERS**
Title: **Senior Vice President**

Sworn to before me this
18th day of January, 2011.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014



LOAN AGREEMENT

Date: January 19, 2011

Borrower: CANARSIE PLAZA LLC, a limited liability company organized under the laws of the State of Delaware.
Chief executive office: c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

Administrative Agent: Manufacturers and Traders Trust Company, a New York banking corporation, with offices located at One Fountain Plaza, Buffalo, New York 14203 ("M&T") individually as a lender and as the administrative agent for itself and Capital One, N.A., a lender (the "Co-Lender" and, referred to collectively with M&T as the "Lending Group") and the Lending Group (the "Administrative Agent").

WHEREAS, the Borrower has applied to M&T for a loan (hereinafter the "Mortgage Loan") in the principal sum of up to Seven Million Dollars (\$7,000,000.00) (the "Loan Amount") with an option to modify to a mini-permanent mortgage loan (hereinafter the "Permanent Loan") (the Mortgage Loan and the Permanent Loan are referred to collectively herein as the "Loan"), provided, however, that up to \$3,354,167.00 will be lent by the Co-Lender and up to \$3,645,833.00 will be lent by M&T to be evidenced by certain notes made by the Borrower on or about the date of this Loan Agreement (the "Agreement") and secured by a certain third mortgage dated the same date given by the Borrower, creating liens on the premises described in Schedule "A" attached thereto (the "Premises");

NOW, THEREFORE, for good and valuable consideration, the receipt of which is acknowledged, the Borrower and the Administrative Agent agree as follows:

1. **REFERENCE TO DEFINITIONS.** For purposes of this Agreement, each of the following terms has the meanings set forth below. Additionally, other capitalized terms have the meanings assigned to them in this Agreement where they first appear.

1.1 **Advance:** Funds delivered to the Borrower by the Administrative Agent in accordance with this Agreement.

1.2 **Advance Request:** A request of the Borrower for an Advance in form and substance satisfactory to the Administrative Agent and signed by the person authorized to execute such request on behalf of the Borrower.

1.3 **Building Loan Agreement:** The Building Loan Agreement dated January 12, 2010 by and among the Borrower, the Administrative Agent and the Co-Lender, as supplemented by that certain supplemental building loan agreement, dated as of the date hereof and as the same may be further supplemented, amended, modified or replaced from time to time.

1.4 **Conversion Date:** The Maturity Date, if the Borrower has satisfied all of the conditions set forth in Section 6.2 of this Agreement.

1.5 **DSCR:** The Debt Service Coverage Ratio ("DSCR") is defined as the ratio of (i) Net Operating Income at the Premises divided by (ii) the aggregate annualized principal and interest payable on both the Loan and that certain development loan made by the Lending Group in the principal sum up to Forty Eight Million Dollars (\$48,000,000.00) dated January 12, 2010 as supplemented by that certain supplemental development loan made by the Lending Group in the principal sum up to Three Million Dollars (\$3,000,000.00) dated as of the date hereof (collectively, the "**Construction Loan**") based on a twenty-five (25) year amortization schedule with an interest rate of the greater of seven (7%) percent or the ten (10) year United States Treasury Obligations plus two (2%) percent. "Net Operating Income" means the amount by which Operating Revenues exceed Operating Expenses.

1.6 **Event of Default:** The occurrence of any event described in Section 7.1 hereof.

1.7 **Governmental Authority:** The United States of America, the State of New York, the County of Kings and the Borough of Brooklyn, and any political subdivision of any of them, and any agency, department, court, commission, board, bureau or instrumentality of any of them which exercises jurisdiction over the Premises, the Project (as defined in the Building Loan Agreement) or the Borrower.

1.8 **Guarantees:** Collectively, the Amended and Restated Continuing Guaranty, the Amended and Restated Guaranty of Completion and Interest Reserve and the Amended and Restated Guaranty of Nonrecourse Carveouts each executed by Acadia Strategic Opportunity Fund II, LLC, a Delaware limited liability company (the "**Guarantor**") and dated the date hereof in favor of Administrative Agent in connection with the Loan and the Construction Loan; as may be further amended and restated and supplemented from time to time.

1.9 **Loan Documents:** This Agreement, the Building Loan Agreement, the Note, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower, the Guarantor or the Administrative Agent in connection with the Loan and the Construction Loan.

1.10 **Maturity Date:** The earlier of: (i) the Scheduled Maturity Date, and (ii) any earlier date on which the Loan is required to be paid in full, by acceleration or otherwise, under this Agreement or any of the other Loan Documents.

1.11 **Mortgage:** The Third Mortgage dated the date hereof from the Borrower in favor of the Administrative Agent, as amended and supplemented from time to time.

1.12 **Note:** The Mortgage Note or Notes dated the date hereof from the Borrower to the Administrative Agent evidencing the Loan and all extensions, renewals and modifications thereof.

1.13 **Operating Expenses:** All reasonable and necessary expenses of operating the Project in the ordinary course of business calculated in accordance with generally acceptable accounting principles ("**GAAP**") which are directly associated with and fairly allocable to the Project for the applicable period, including annualized real estate taxes and assessments, capital expenditures at an imputed rate of \$0.10 per square foot on an annualized basis of gross leasable area at the Premises, annualized insurance premiums, maintenance costs, management fees and costs in an amount equal to the greater of the management fees and costs actually paid or an imputed rate of three percent (3%) of Operating Revenues, accounting, legal, and other professional fees, fees relating to environmental audits, and other expenses incurred by Administrative Agent and reimbursed by Borrower under this Agreement and the other Loan Documents, deposits to any capital replacement reserves required by Administrative Agent, wages, salaries, and personnel expenses, but excluding debt service on the Loan or the Construction Loan, capital expenditures, any of the foregoing expenses which are paid from deposits to cash reserves previously included as Operating Expenses, any payment or expense for which Borrower was or is to be reimbursed from proceeds of the Construction Loan or insurance or by any third party, and any non-cash charges such as depreciation and amortization. Any management fee or other expense payable to Borrower or to an Affiliate of Borrower shall be included as an Operating Expense only with Administrative Agent's prior approval. Operating Expenses shall not include federal, state or local income taxes or legal and other professional fees unrelated to the operation of the Project.

1.14 **Operating Revenues:** All cash receipts of Borrower from operation of the Project or otherwise arising in respect of the Project after January 12, 2010 which are properly allocable to the Project for the applicable period (subject to an underwritten market vacancy rate of not less than 8%), including receipts from leases and parking agreements, concession fees and charges and other miscellaneous operating revenues, proceeds from rental or business interruption insurance, withdrawals from cash reserves (except to the extent any operating expenses paid therewith are excluded from Operating Expenses), in all cases, determined in accordance with GAAP but without taking into account straight-lining of rents and extraordinary revenues (including, but not limited to, lease termination payments) and FAS 141R adjustments, but excluding (a) all rent and other revenues received during the applicable period from tenants that, at any time during the applicable period, are subject to a bankruptcy proceeding, unless such bankruptcy proceeding has been closed, and the subject tenant has not been discharged from its obligations under the subject lease and/or the rental payments due and/or paid by such tenant to Borrower cannot be disgorged from Borrower, (b) rent and other revenues from tenants that have not made the appropriate payment of rent under their respective leases for more than thirty (30) days, provided, however that if a tenant is disputing, in good faith, recoverables or a reconciliation thereof, only the portion that is being disputed shall be excluded, (c) rent and other revenues from tenants under leases which have remaining terms of less than twelve (12) months from the date of calculation, (d) rents and other revenues from tenants that are not operating in a substantial portion of such tenant's premises, (e) security deposits and earnest money deposits until they are forfeited by the depositor, (f) advance rentals (i.e. more than thirty (30) days in advance) until they are earned, (g) lump sum lease buy-out payments made by tenants in connection with any surrender, cancellation or termination of their lease, (h) rents and other revenues from Affiliates of Borrower and/or Guarantor, and (i) proceeds from a sale or other disposition.

1.15 **Permitted Exceptions:** The title exceptions listed in the Title Insurance Policy on the date of this Agreement.

1.16 **Person:** An individual, partnership, corporation, trust, estate, unincorporated association, syndicate, joint venture or organization, or a government or any department or agency thereof.

1.17 **Scheduled Maturity Date:** January 12, 2012.

1.18 **Survey:** A plan of the Land, in form and substance satisfactory to the Administrative Agent; prepared by a surveyor registered in the State of New York and approved by the Administrative Agent and certified to the Administrative Agent and to the Title Insurer.

1.19 **Title Insurance Policy:** The title insurance policy required by Section 6.1 of this Agreement.

1.20 **Title Insurer:** The issuer of the Title Insurance Policy.

2. THE LOAN.

2.1 **Making and Obtaining the Loan.** Upon and subject to each term and condition of this Agreement, the Administrative Agent shall make the Loan to the Borrower, and the Borrower shall obtain the Loan from the Administrative Agent. The maximum principal amount of the Loan shall be equal to the Loan Amount.

2.2 **Termination of Obligation.** Any obligation of the Administrative Agent to make the Loan or any Advance shall terminate no later than the Maturity Date.

3. **REPRESENTATIONS AND WARRANTIES.** The Borrower represents and warrants that:

3.1 **Due Formation and Capacity of Borrower.** The Borrower is duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the full power and authority to own and operate its properties, to conduct its business as now being conducted, to execute and deliver the Loan Documents and to perform its obligations thereunder.

3.2 **Compliance with Law; Authority.** The Borrower, in connection with the execution and delivery of the Loan Documents, has complied in all respects with each applicable statute, regulation and other law, each applicable judgment, order and award of any Governmental Authority and each agreement to which it is a party or by which it or any of its business or properties is bound, and the execution and delivery by the Borrower of the Loan Documents, and the performance thereunder, has been duly authorized by all action necessary or requisite on the part of the Borrower.

3.3 **No Conflicts or Defaults.** Neither the execution, delivery nor performance by the Borrower of the Loan Documents does or will, with the giving of notice or the lapse of time or both, (i) conflict with or constitute a default under any applicable statute, regulation or other law, any applicable judgment, order or award of any Governmental Authority or any agreement to which it is a party or by which it or any of its business or properties is bound or (ii) result in the creation or imposition of any lien or encumbrance upon any property of the Borrower, the Premises or the Project.

3.4 **Litigation.** There are no pending or to the best of Borrower's knowledge threatened actions, suits or proceedings, at law or in equity, or governmental investigations (or any basis for any such action, suit, proceeding or investigation known to the Borrower) (i) which affect the Borrower, the Premises, the Project, the validity or enforceability of the Loan Documents or the priority of the lien of the Mortgage (ii) which question the capacity or authority of the Borrower or its ability to execute, deliver and perform the provisions of the Loan Documents or (iii) which, if determined adversely to the Borrower, would materially and adversely affect its business or financial condition.

3.5 **Permits and Approvals.** All primary licenses, permits, consents, approvals and authorizations required by any Governmental Authority or other Person for the construction and the development and planned use of the Project have been obtained and are valid and in full force and effect, and those that have not yet been obtained are in the process of being obtained or will be obtained in time so as to not delay the Project.

3.6 **Survey.** To the best of Borrower's knowledge, each Survey delivered to the Administrative Agent pursuant to this Agreement is a true, correct and complete representation of the Premises and the Permitted Exceptions as of the date of such Survey.

3.7 **Condemnation.** There is no pending condemnation, expropriation, eminent domain or similar proceedings affecting the Premises or any portion thereof and the Borrower has not received any written or oral notice of any such proceedings and has no knowledge that any such proceedings are contemplated.

3.8 **Insurance.** Each of the insurance policies required to be obtained by the Borrower pursuant to Section 4.2 of the Building Loan Agreement or the Mortgage has been obtained and is in full force and effect, and all premiums due thereunder have been paid. No notice has been received from any insurer that issued any such policy, or any agent, broker or representative of any such insurer, stating in effect that any such policy (i) will not be renewed, (ii) will be renewed only at a higher premium than is presently being paid for such policy or (iii) will be renewed only with lesser or less complete coverage than is presently provided.

3.9 **No Default.** No event has occurred and/or is continuing which constitutes, or which, with the giving of notice or the lapse of time or both, would constitute, an Event of Default.

3.10 **Enforceability.** Each of the Loan Documents is in full force and effect and is valid, binding and enforceable upon the party or parties thereto in accordance with its terms.

3.11 **Affirmation of Representations and Warranties.** Each Advance Request presented to the Administrative Agent in accordance with Section 6 of this Agreement shall constitute an affirmation by the Borrower that the representations and warranties made in this Section remain true and correct as of the date of such Advance Request.

4. **AFFIRMATIVE COVENANTS.** During the term of this Agreement, the Borrower shall do the following (unless the Borrower has otherwise obtained the prior written consent of the Administrative Agent not to do so):

4.1 **Accounting.** Maintain true and correct financial books and records on a GAAP basis and maintain adequate reserves for all contingencies.

4.2 **Expenses.** Pay to the Administrative Agent, the Co-Lender or their respective agents on demand each cost and reasonable expense, in excess of fees otherwise payable, incurred by the Administrative Agent, the Co-Lender or their respective agents in connection with the making, disbursement and administration of the Loan, the exercise of any of their respective rights or remedies under the Loan Documents, and any other matters related to the transactions contemplated hereby, including but not limited to charges and expenses of the Title Insurer relating to the examination of title, title insurance premiums, title continuation and other lien searches, settlement and escrow charges, recording charges, transfer; documentary, ad valorem and mortgage taxes, attorneys' fees and disbursements, and all other reasonable fees for services. The provisions of this paragraph shall survive the termination of this Agreement and the repayment of the Loan.

4.3 **Indemnification.** Defend, indemnify and hold harmless the Administrative Agent, the Co-Lender and their respective employees, agents, officers and directors from and against any claims arising out of, or in any way related to, any violations of any statute, regulation or other law, any judgment, order or award of any Governmental Authority or any deed restriction or any defective workmanship or materials in the construction of the Project. The provisions of this paragraph shall survive the termination of this Agreement and the repayment of the Loan.

4.4 **Change in Circumstance.** Promptly notify the Administrative Agent in writing of any material change in any fact or circumstance represented or warranted by the Borrower in this Agreement or in any other Loan Document.

4.5 **Publicity.** The Administrative Agent and the Co-Lender shall have the right to use the name of the Project and the Borrower in any publicity or advertising prepared by the Administrative Agent or the Co-Lender.

4.6 **Further Assurances.** Promptly upon request by the Administrative Agent; execute and deliver each writing, and take each other action, that the Administrative Agent shall reasonably deem necessary or desirable (i) to accomplish any purpose of this Agreement or (ii) in connection with any transaction contemplated by this Agreement.

4.7 **Guarantor Covenants.** During the term of this Agreement, the Guarantor shall be required to comply with the covenants set forth in Section 4.11 of the Building Loan Agreement.

4.8 **Compliance with Easements:** Comply in all respects with that certain Agreement and Declaration of Easements and Covenants dated as of January 5, 2010 (the "**Easement Agreement**") and such other easements affecting the Premises and the Project (collectively, the "**Project Easements**"). Borrower shall perform all obligations of the owner of the Premises under the Project Easements and shall not consent to the modification, amendment or termination of the Project Easements or divest the Project of any development rights that are necessary for the completion of the Project and the occupancy thereof without the prior consent of the Administrative Agent.

5. **NEGATIVE COVENANTS.** During the term of this Agreement, the Borrower shall not, without the prior written consent of the Administrative Agent, do, attempt to do, or agree or otherwise incur, assume or have any obligation to do, any of the following:

5.1 **Assignment.** Assign any Loan Document except as herein or therein provided.

5.2 **Priority.** Allow the Mortgage to cease being a valid third mortgage lien on the Premises or the Project.

6. **DISBURSEMENT MATTERS.**

6.1 **Conditions Precedent to the Advance.** Provided that Borrower has satisfied all of the conditions set forth below, the obligation of the Administrative Agent under this Agreement to make the Advance in the aggregate principal amount of up to Seven Million Dollars (\$7,000,000.00) is subject to the fulfillment of the following conditions to the reasonable satisfaction of the Administrative Agent or its agents, in their sole discretion:

6.1.1 The Borrower shall have executed and delivered (or shall have caused to be executed and delivered) to the Administrative Agent all of the Loan Documents;

6.1.2 The Borrower shall have delivered to the Administrative Agent the Title Insurance Policy insuring title to the Premises in accordance with the terms of the Mortgage and the Administrative Agent's interest therein as a valid and enforceable third mortgage lien, subject only to exceptions approved by the Administrative Agent and containing (A) full coverage against mechanics' liens, and (B) no survey exceptions except those theretofore approved by the Administrative Agent;

6.1.3 All representations and warranties contained in this Agreement or in any of the other Loan Documents shall be true, correct and complete in all material respects;

6.1.4 The Borrower shall have performed all terms and conditions of the Loan Documents required to be performed at that time;

6.1.5 The Borrower has not received and has no reason to believe that there is a cease and desist order from any Governmental Authority;

6.1.6 No event shall have occurred which constitutes or which, with the giving of notice or the lapse of time or both, would constitute an Event of Default;

6.1.7 The Borrower shall have delivered to the Administrative Agent each additional item required by any Loan Document or deemed reasonably necessary or advisable by the Administrative Agent.

6.1.8 If requested by the Administrative Agent or the Title Insurer; the Borrower shall have delivered to the Administrative Agent a print of an updated Survey dated or redated to such dates as the Administrative Agent or the Title Insurer may from time to time reasonably require; and

6.1.9 No portion of the Premises shall have been damaged by fire or other casualty and not repaired to the condition immediately prior to such casualty, and no condemnation or taking of the Premises or any portion thereof shall be pending or threatened; and

6.1.10 BJS Wholesale Club, Inc. ("BJS") has taken possession under that certain Lease, dated March 12, 2009 (the "BJ Lease") by and between the Borrower and BJS and is operating at the demised premises consisting of at least 178,588 square feet and no event of default under the BJ Lease has occurred or, after notice or lapse of time will occur; and

6.1.11 The City of New York acting through the Department of Citywide Administrative Services ("NYC") has taken possession under that certain Agreement of Lease, dated as of November 5, 2009 (the "NYC Lease") by and between the Borrower and NYC and is operating at the demised premises consisting of at least 33,048 square feet and no event of default under the NYC Lease has occurred or, after notice or lapse of time will occur; and

6.1.12 Borrower shall have delivered new leases, if any, to the Administrative Agent for the remaining unleased space at the Premises acceptable to the Administrative Agent that shall be subordinated to the Mortgage and the Building Loan Mortgage and that shall be subject if such new lease is for space in excess of 5,000 square feet at the Premises to the following Minimum Leasing Criteria (the "Minimum Leasing Criteria"):

Minimum Leasing Criteria

- Fixed Rent: At least \$27.00 per rentable square foot (net of concessions), triple net.
- Term: Not less than five (5) years.
- Tenant Improvement Allowance/Landlord Work: Not more than \$70.00 per rentable square foot.
- Early Cancellation Rights: None during first five (5) years, thereafter at Borrower's discretion.

6.1.13 The Administrative Agent shall have received evidence that (1) the Borrower shall have achieved a minimum DSCR of 1.40:1 as verified by the Administrative Agent and (2) an MAI appraisal, ordered by Administrative Agent and paid for by Borrower, in form and substance satisfactory to the Administrative Agent in its sole discretion shows a maximum "As Is" loan to value (the "LTV" includes the Loan and the Construction Loan) of sixty-five (65%) percent; and

6.1.14 Borrower must deposit in an account an amount sufficient to cover interest payments required for the interest reserve (the "**Interest Reserve**") to be used for future monthly payments of interest on the Loan. If the amount in the Interest Reserve is depleted at any time during the term of the Loan, the Administrative Agent and the Borrower shall agree on the amount that Borrower must deposit in the account for the Interest Reserve to be used for future monthly payments of interest on the Loan, provided, however, that if BJ'S, NYC and Canarsie Fitness Group, LLC ("**Fitness**"), as tenant pursuant to that certain lease with Borrower dated as of April 1, 2010 are all operating at each such tenant's demised premises and all are paying rent in an amount sufficient to cover monthly Operating Expenses and anticipated debt service on the Loan and the Construction Loan, then the Borrower shall not be required to make such deposit to the account for the Interest Reserve, **provided further that** if at any time any of BJ'S, NYC or Fitness stop paying rent or if for any reason there does not appear to be sufficient Operating Revenues available to pay interest and Operating Expenses, the Administrative Agent and the Co-Lender may require, in their sole discretion, that Borrower must make a deposit or deposits, in amounts reasonably determined by the Administrative Agent and Co-Lender to be sufficient to cover debt service on the Loan and the Construction Loan, in the account for the Interest Reserve.

6.2 **(a) Conditions Precedent to Conversion to the Permanent Loan.** Provided that Borrower has satisfied all of the conditions set forth above in Section 6.1 together with all of the following conditions, the Loan shall convert to the Permanent Loan (the "**Conversion Option**") on the Conversion Date.

- (i) Borrower shall have delivered written notice to the Administrative Agent (the "**Conversion Notice**") delivered not less than ninety (90) but not greater than one hundred eighty (180) days prior to the Maturity Date of Borrower's intention to exercise the Conversion Option;
 - (ii) Borrower shall have delivered to the Administrative Agent, together with the Conversion Notice, payment, in immediately available federal funds, of a conversion fee of one-half (1/2%) percent of the Loan Amount plus any additional principal amount committed to be loaned under the Permanent Loan;
 - (iii) No Event of Default under the Loan Documents has occurred or, after notice or lapse of time will occur and all representations and warranties contained in the Agreement, the Building Loan Agreement or in any of the other Loan Documents shall be true, correct and complete in all material respects;
 - (iv) The Borrower shall have executed and delivered (or shall have caused to be executed and delivered) to the Administrative Agent all of the documents necessary to modify and extend the Loan Documents, including an endorsement to Title Policy or new Title Policy, as needed;
 - (v) BJ'S and NYC are current tenants and in occupancy and operating at the demised premises consisting of at least 178,588 square feet and 33,048 square feet, respectively, each of BJ'S and NYC are paying rent and no default under either the BJ Lease or the NYC Lease has occurred;
 - (vi) The Borrower shall have delivered updated, fully executed tenant estoppel certificates for each tenant at the Premises, including BJ's and NYC, together with, unless previously obtained, fully executed subordination, non-disturbance and attornment agreements, if necessary; and
 - (viii) The Administrative Agent shall have received evidence that (1) the Borrower shall have achieved a minimum DSCR of 1.50:1 as verified by the Administrative Agent or the Borrower will pay a portion of the outstanding principal amount of the Loan so as to be able to achieve a minimum DSCR of 1.50:1 and (2) an MAI appraisal, ordered by Administrative Agent and paid for by Borrower, in form and substance satisfactory to the Administrative Agent in its sole discretion shows a maximum "As Is" LTV of sixty-five (65%) percent.
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6.2 (b) If the Borrower has satisfied all of the requisite conditions as set forth in this Agreement, then on the Conversion Date,

(1) the Loan will convert to a mini-permanent commercial mortgage loan, with a three (3) year term ("**Permanent Maturity Date**"), amortized over a twenty-five (25) year period with level principal and interest payments, calculated on the outstanding principal balance;

(2) the pricing parameters for the interest rate will be determined at least ninety (90) days prior to the Conversion Date at the Lending Group's sole discretion and will be calculated on the basis of a 360-day year, but shall be computed for the actual number of days in each period for which interest is charged; and

(3) during the term of the Permanent Loan, the Borrower shall, at all times, maintain a DSCR of 1.50:1, measured at any time at the sole discretion of the Administrative Agent. If such DSCR is not maintained, the Borrower shall be required to (a) deposit all income received from the Project after payment of all capital and operating expenses pursuant to a budget approved by the Lending Group, debt service on the Permanent Loan, taxes and insurance, with Administrative Agent in an escrow account (a "**Cash Management Period**") until such time that a DSCR of 1.50:1 has been achieved, or (b) reduce the outstanding principal amount of the Permanent Loan so that the Borrower can achieve a DSCR of 1.50:1. After a Cash Management Period, once the Borrower shall again achieve a DSCR of 1.50:1, the Administrative Agent shall return any funds held in such escrow account. If the DSCR falls below 1.20:1.0 coverage, the Borrower must repay a portion of the outstanding principal balance of the Permanent Loan to a level so that the Borrower will achieve a 1.50:1.0 coverage (the "**Paydown Amount**"). In lieu of repaying the Paydown Amount, Borrower will have the option of posting a letter of credit in the same amount as the Paydown Amount, for a maximum time of 365 days, in a form and from a lender approved by the Administrative Agent in its sole discretion. Such letter of credit may be drawn upon (1) at any time within thirty (30) days of its expiration date, and (2) if a DSCR of 1.50:1 has NOT been achieved within 365 days of the posting of the letter of credit.

6.2 (c) If the aforesaid Conditions Precedent to Conversion have not been satisfied on or before the Conversion Date, the Loan shall not be converted to the Permanent Loan pursuant to the terms hereof and the outstanding principal balance of the Loan, together with all accrued and unpaid interest thereon and all other amounts payable under the Loan Documents, shall immediately be due and payable on the Conversion Date, together with an "Exit Fee" equal to one-quarter of one percent (.25%) of the Construction Loan as more fully set forth in the Note; provided, however, that such Exit Fee shall be waived if:

(1) the outstanding principal amount of the Loan is refinanced with the Lending Group; or

(2) Borrower elects to refinance the outstanding principal amount of the Loan with a qualified third-party lender, provided:

(i) Borrower has first provided the Administrative Agent and the Co-Lender with written notice that it has initiated discussions with a third-party lender; and

(ii) Borrower has provided the Administrative Agent and the Co-Lender with a copy of a bona fide proposal for financing from such third-party lender. Such proposal which shall be deemed to have been submitted to Lender no earlier than ten (10) Business Days after the date of such notice of discussion provided for in item (i) above; and

(iii) The Lending Group does not provide a refinancing proposal within twenty-one (21) Business Days of receipt of the third-party proposal that is substantially similar with respect to amount of loan proceeds, term, level of recourse, if any, interest rate and fees.

6.3 Procedures.

6.3.1 Subject to the conditions set forth in this Section 6, the Advance shall be made in reliance upon an Advance Request that the Administrative Agent in good faith believes to be valid and to have been made by Borrower or on behalf of Borrower delivered not less than five (5) Business Days prior to the date of payment of such Advance. The Loan shall be made in a single Advance and no further Advances shall be made under this Loan Agreement even if the maximum principal amount is not fully advanced at the time of the Advance. "Business Day" shall mean any day of the year on which banking institutions in New York, New York are not authorized or required by law or other governmental action to close. All sums disbursed pursuant to any provision of this Agreement shall be deemed to be secured by the Mortgage;

6.3.2 The Administrative Agent shall have no obligation to make the Advance after the occurrence of any Event of Default.

6.4 Additional Security. As additional security for the Borrower's obligations under this Agreement and the other Loan Documents, the Borrower irrevocably assigns to the Administrative Agent, and grants to the Administrative Agent a security interest in, its interest in the Interest Reserve Account and all proceeds now or hereafter held by the Administrative Agent or its agents, whether or not disbursed, all funds now or hereafter deposited by the Borrower with the Administrative Agent or its agents under this Agreement or any of the other Loan Documents. Upon the occurrence of an Event of Default, the Administrative Agent, in addition to any other rights and remedies it may have under the Loan Documents or at law or in equity, may apply any funds held by the Administrative Agent or its agents against any of the aforesaid obligations (whether or not the same be then due), in such order as the Administrative Agent may determine, and may use any of the other property referred to above for any purpose for which the Borrower could have used said property under this Agreement.

6.5 Administrative Agent Interest Payment Without Request. The Administrative Agent shall from time to time make payments from the Interest Reserve Account on behalf of the Borrower to the Lenders to pay interest on the payment dates when interest is due and owing in accordance with the terms of the Note.

7. DEFAULTS AND REMEDIES.

7.1 **Events of Default.** The following shall be deemed to be Events of Default under this Agreement:

7.1.1 The Borrower shall fail to perform or comply with any covenant, term or condition of this Agreement where such failure is not otherwise referred to in Section 7 of this Agreement and such failure shall continue for more than thirty (30) days after written notice thereof by the Administrative Agent to the Borrower, provided that if Borrower cannot perform or comply within such thirty (30) day period and such failure is capable of performance or compliance by Borrower, then so long as Borrower has commenced to perform or comply and thereafter diligently and expeditiously proceeds to perform or comply, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower to perform or comply;

7.1.2 Any representation or warranty of the Borrower in the Loan Documents shall have been untrue or incorrect when made, or shall become untrue or incorrect in any material respect;

7.1.3 Any Survey required by the Administrative Agent or the Title Insurer pursuant to this Agreement shall show any violation of any building set-back or other restriction or encroachment or other matter not approved by the Administrative Agent or the Title Insurer which is not removed or cured within thirty (30) days after written notice thereof by the Administrative Agent or the Title Insurer to the Borrower;

7.1.4 An Event of Default shall occur under the Building Loan Agreement, the Building Loan Mortgage or any other document executed in connection with the Construction Loan after applicable notice, grace and cure periods;

7.1.5 Any lien or encumbrance is entered against the Premises, which is not released, discharged, insured over or bonded within thirty (30) days after the date of filing thereof, except for taxes which are due but not yet payable or to the extent that any such lien is not material and is the subject of Borrower's ongoing, good faith dispute, unless waived by the Administrative Agent.

7.1.6 Any person shall obtain an order or decree in any court of competent jurisdiction enjoining or prohibiting the Administrative Agent or the Borrower from carrying out the terms and conditions of any of the Loan Documents, and such proceedings are not discontinued or such decree is not vacated within twenty (20) Business Days after the filing thereof;

7.1.7 An Event of Default shall occur under the Mortgage, or a default, together with the expiration of any applicable grace and cure period, shall occur under any of the other Loan Documents;

7.1.8 The Borrower shall, without the consent of the Administrative Agent; assign its rights under this Agreement, or its rights to receive disbursement of monies under this Agreement or any portion thereof or if the Borrower shall by operation of law or otherwise be deprived of its rights under this Agreement; and

7.1.9 The Guarantor fails to comply with the provisions of Section 4.11 of this Agreement.

7.2 **Remedies.** Upon the occurrence of any Event of Default, in addition to any other rights or remedies available at law or in equity; or under any of the Loan Documents, the Administrative Agent may exercise any or all of the following rights and remedies as it, in its sole discretion, deems necessary or desirable:

7.2.1 Terminate this Agreement and the Administrative Agent's obligations under this Agreement, including the obligation to make further Advances (including Advances requested prior to such termination but not actually made at the time such termination occurs).

8. **SECONDARY MARKET; ASSIGNMENT; PARTICIPATION**

8.1 Pursuant to the provisions of that certain Co-Lending and Servicing Agreement by and between the Administrative Agent and the Lending Group dated January 12, 2010, as amended by that certain First Amendment to Co-Lending and Servicing Agreement dated as of the date hereof (as amended, the "**Co-Lending Agreement**") a member of the Lending Group may at any time grant to one or more parties (each a "**Participant**") participating interests in its Pro Rata Share (as hereinafter defined) of the Loan (the "**Participations**") and the Lending Group may syndicate the Loan ("**Syndication**").

8.2 A member of the Lending Group may at any time assign (x) to any Eligible Assignee (as defined in the Co-Lending Agreement) with the consent of Administrative Agent, which consent shall not be unreasonably withheld or delayed, (y) to any other party with the consent of Administrative Agent, which consent may be withheld by Administrative Agent in Administrative Agent's sole and absolute discretion (each such assignee set forth in (x) and (y) above, a "Consented Assignee"), or (z) without such consent, to one or more Eligible Assignees which are affiliates, subsidiaries or a parent of a member of the Lending Group (each Consented Assignee or subsidiary, affiliate or parent bank or institution, an "Assignee") all or a proportionate part of all of such member of the Lending Group's rights and obligations under this Agreement and the Note, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement substantially in the form annexed to the Co-Lending Agreement executed by such Assignee and the assigning member of the Lending Group (duplicate executed originals of which shall be delivered to Borrower to the extent available). Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the assigning member of the Lending Group of an amount equal to the purchase price agreed between such member of the Lending Group and such Assignee and (iii) with respect to a Consented Assignee, payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of \$3,500, such Assignee shall be a party to this Agreement and shall have all the rights and obligations of a member of the Lending Group as set forth in such Assignment and Assumption Agreement, and the assigning member of the Lending Group shall be released from such member of the Lending Group's obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Neither Borrower nor an affiliate of Borrower shall be Eligible Assignee.

8.3 Borrower, Administrative Agent and members of the Lending Group shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with assignments, participations or syndications in accordance with the foregoing provisions of this Section and which do not adversely affect Borrower or Guarantor or Borrower's or Guarantor's obligations or rights under the Loan Documents (other than to a *de minimis* extent).

8.4 Borrower recognizes that in connection with a member of the Lending Group's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Loan may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee who signs and delivers a confidentiality agreement in the form executed by the initial members of the Lending Group, if any. Borrower hereby consents to the release of any and all Borrower and Guarantor information to such parties, and holds Administrative Agent and the Lending Group harmless from any and all liability due to the release of Borrower's and Guarantor's financial information by Administrative Agent or any member of the Lending Group to any such party.

8.5 Borrower agrees to reasonably cooperate with the Lending Group in connection with any sale or transfer of the Loan, Syndication or any Participation. At the request of the holder of the Note and, to the extent not already required to be provided by Borrower and Guarantor under this Agreement, Borrower shall take such reasonable actions for the benefit of, and use reasonable efforts to provide information not in the possession of, the holder of the Note in order to satisfy the market standards (which may include such holder's delivery of information with respect to Borrower, Guarantor and the Project to any Participant or Assignee or prospective Participant or Assignee who signs and delivers a confidentiality agreement in the form executed by the initial members of the Lending Group, if any) to which the holder of the Note customarily adheres or which may be reasonably required in the marketplace in connection with such sales or transfers, including, without limitation, to:

(i) provide (i) updated financial, budget and other information with respect to the Project, Borrower, Guarantor and affiliated entities and (ii) modifications and/or updates to the appraisals, market studies, environmental reviews and reports (Phase I reports and, if appropriate, Phase II reports) of the Project obtained in connection with the making of the Loan (all of the foregoing being referred to as the "Provided Information"), together, if customary, with appropriate verification and/or consents of the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Lending Group;

(ii) make de minimis changes to the organizational documents of Borrower or its principals;

(iii) upon reasonable prior notice, permit site inspections, appraisals, market studies and other due diligence investigations of the Project, as may be reasonably requested by the holder of the Note or as may be necessary in connection with the Participations or Syndications;

(iv) make the representations and warranties with respect to the Project, Borrower, Guarantor, and the Loan Documents as such Persons have made in the Loan Documents and such other representations and warranties with respect to Borrower, Guarantor, and the Project, as may be reasonably requested by the holder of the Note;

(v) execute such amendments to the Loan Documents as may be requested by the holder of the Note including, without limitation, bifurcation of the Loan into two or more components and/or separate notes and/or creating a senior/subordinate note structure; provided, however, that Borrower and Guarantor shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate or the stated maturity set forth in the Note, except in connection with a bifurcation of the Loan which may result in varying fixed interest rates and amortization schedules, but which shall have the same initial weighted average coupon of the original Note, or (ii) in the reasonable judgment of Borrower or Guarantor, modify or amend any other economic term of the Loan, or (iii) in the reasonable judgment of Borrower or Guarantor, increase Borrower's or Guarantor's obligations and liabilities, or reduce Borrower's or Guarantor's rights, under the Loan Documents, other than to a de minimis extent; and

(vi) have reasonably appropriate personnel participate in a bank meeting and/or presentation for the Lending Group.

9. MISCELLANEOUS.

9.1 **Assignment by Administrative Agent.** If the Administrative Agent shall assign its rights in and to this Agreement to a successor, all provisions of this Agreement shall continue to apply to the disbursement of monies. Upon such assignment, the successor shall be deemed to have succeeded to all of the rights of the Administrative Agent under this Agreement and to have assumed all of the obligations of the Administrative Agent to disburse such monies in the manner and subject to the terms and conditions of this Agreement. Such assignment and assumption shall affect the release of the Administrative Agent from any further obligations under this Agreement.

9.2 **Notices.** Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to the Borrower or to the Administrative Agent, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 9.2). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal service and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) Business Days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) Business Day after delivery to a nationally recognized overnight courier service (*e.g.*, Federal Express) for priority next day delivery. Notice by e-mail is not valid notice under this or any other agreement between the Borrower and the Administrative Agent.

Administrative Agent: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: General Counsel

with a copy to: DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Borrower: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Robert Masters, Esq.

9.3 **Cumulative Nature; Nonexclusive Exercise; and Waivers of Rights and Remedies.** All rights and remedies of the Administrative Agent pursuant to this Agreement and its other agreements with the Borrower shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. No single or partial exercise by the Administrative Agent of any right or remedy pursuant to this Agreement or otherwise shall preclude any other or further exercise thereof, or any exercise of any other such right or remedy, by the Administrative Agent. No course of dealing or other conduct heretofore pursued, accepted or acquiesced in, no course of performance or other conduct hereafter pursued, accepted or acquiesced in, no oral or written agreement or representation heretofore made, and no oral agreement or representation hereafter made, by the Administrative Agent, whether or not relied or acted upon, and no usage of trade, whether or not relied or acted upon, shall operate as a waiver of any right or remedy of the Administrative Agent pursuant to this Agreement or otherwise. No delay by the Administrative Agent in exercising any such right or remedy, whether or not relied or acted upon, shall operate as a waiver thereof or of any other such right or remedy. No notice or demand of any kind, and no attempted but unsuccessful notice or demand of any kind, by the Administrative Agent prior to exercising any such right or remedy on any one occasion, whether or not relied or acted upon, shall operate as a waiver of any right of the Administrative Agent to exercise the same or any other such right or remedy on such or any future occasion without any notice or demand of any kind. No waiver by the Administrative Agent of any such right or remedy, or modification of this Agreement, shall be effective unless made in a writing duly executed by the Administrative Agent and specifically referring to such waiver. No waiver by the Administrative Agent on any one occasion of any such right or remedy shall operate as a waiver thereof or of any other such right or remedy on any future occasion.

9.4 **Entire Agreement; Modification; and Certain Consents and Waivers.** This Agreement contains the entire agreement between the Borrower and the Administrative Agent with respect to the subject matter of this Agreement, and supersedes each course of dealing or other conduct heretofore pursued, accepted or acquiesced in, and each oral or written agreement and representation heretofore made, by the Administrative Agent with respect thereto, whether or not relied or acted upon. This Agreement shall not be amended except in writing, which writing is signed by both Borrower and Administrative Agent. Except as expressly provided in this Agreement, this Agreement shall not be modified or terminated, no indebtedness, liability or obligation of the Borrower pursuant to this Agreement, and no right or remedy of the Administrative Agent pursuant to this Agreement or otherwise, shall be impaired or otherwise affected, by any act, omission or other thing. The Borrower consents, without notice, to each act, omission and other thing that would or might, but for such consent, modify or terminate this Agreement or impair or otherwise affect any such indebtedness, liability, obligation, right or remedy created pursuant to this Agreement. The Borrower waives, without notice, each act and other thing upon which, but for such waiver, any indebtedness, liability or obligation of the Borrower pursuant to this Agreement or any right or remedy of the Administrative Agent pursuant to this Agreement or otherwise, would or might be conditioned.

9.5 **Right of Setoff.** If an Event of Default occurs, the Administrative Agent and its affiliates and the Co-Lender shall also have the right to setoff against the indebtedness any property held in a deposit or other account by the Administrative Agent and its affiliates and the Co-Lender or otherwise owing by the Administrative Agent or its affiliates or the Co-Lender including, in any capacity to the Borrower in any capacity whether or not the indebtedness or the obligation to pay such moneys owed by the Administrative Agent or its affiliates or the Co-Lender is then due, and the Administrative Agent and the Co-Lender shall be deemed to have exercised such right of setoff immediately at the time of such election.

9.6 **IntraLinks.** Borrower hereby acknowledges that (a) Administrative Agent will make available to the Lending Group all information provided by or on behalf of Borrower or Guarantor hereunder or under the other Loan Documents (collectively, "**Borrower Materials**") by posting the Borrower Materials on IntraLinks® or another similar electronic system (the "**Platform**") and (b) certain members of the Lending Group (each, a "**Public Lender**") may have personnel who do not wish to receive material non-public information with respect to Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Person's securities. Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC", Borrower shall be deemed to have authorized Administrative Agent and the Lending Group to treat such Borrower Materials as either publicly available information or not containing any material non-public information (although it may be sensitive and proprietary) with respect to Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (z) Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor". Notwithstanding the foregoing, Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC." Borrower agrees to pay or reimburse Administrative Agent upon demand for all reasonable fees, costs and expenses incurred in connection with any Platform.

9.7 **Governing Law.** This Agreement has been delivered to and accepted by the Administrative Agent and will be deemed to be made in the State of New York. This Agreement will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **THE BORROWER AND ADMINISTRATIVE AGENT HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF FEDERAL COURT IN THE STATE OF NEW YORK IN A COUNTY WHERE THE PROPERTY IS LOCATED AND THE STATE OF NEW YORK IN NEW YORK OR WESTCHESTER COUNTY AND CONSENTS THAT THE ADMINISTRATIVE AGENT MAY EFFECT ANY SERVICE OF PROCESS IN ANY MANNER LEGALLY PERMITTED BY THE COURT HAVING JURISDICTION OVER THE MATTER AT ISSUE AND AT THE BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS AGREEMENT WILL PREVENT THE ADMINISTRATIVE AGENT FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST THE BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF THE BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Administrative Agent and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

9.8 **Joint and Several.** If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts and obligations which become due or should be performed under this Agreement and the term "Borrower" shall include each as well as all of them.

9.9 **General.** This Agreement shall be binding upon the Borrower and upon each successor and assign of the Borrower; and shall inure to the benefit of, and be enforceable by, the Administrative Agent and each successor and assign of the Administrative Agent. This Agreement is a binding obligation enforceable against the Borrower and its heirs and legal representatives and its successors and assigns and shall inure to the benefit of the Administrative Agent and its successors and assigns. Any reference herein to "Administrative Agent" shall be deemed to include and apply to every subsequent holder of this Agreement and any reference herein to "Borrower" shall include; (i) any successor individual or individuals, association, partnership, limited liability company or corporation to which all or substantially all of the business or assets of the Borrower shall have been transferred; (ii) in the case of a partnership Borrower, any new partnership which shall have been created by reason of the admission of any new partner or partners therein, or by reason of the dissolution of the existing partnership by voluntary agreement or the death, resignation or other withdrawal of any partner; and (iii) in the case of a corporate or limited liability company Borrower, any other entity into or with which the Borrower shall have been merged, consolidated, reorganized, or absorbed. Except as expressly provided in this Agreement, each right and remedy of the Administrative Agent pursuant to this Agreement, and each action of the Administrative Agent pursuant to the authorization and appointment as attorney-in-fact contained in this Agreement, may be exercised or taken (i) at any time and from time to time; (ii) at the sole option of the Administrative Agent or its agents; (iii) without any notice or demand of any kind; and (iv) whether or not any Event of Default has occurred or existed, but the Administrative Agent shall not be obligated to exercise any such right or remedy or to take any such action. Each request of the Administrative Agent pursuant to this Agreement may be made (i) at any time and from time to time; (ii) at the sole option of the Administrative Agent or its agents; and (iii) whether or not any Event of Default has occurred or existed. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If, however, any such provision shall be prohibited by or invalid under such law, it shall be deemed modified to conform to the minimum requirements of such law, or; if for any reason it is not deemed so modified, it shall be prohibited or invalid only to the extent of such prohibition or invalidity without the remainder thereof or any other such provision being prohibited or invalid. Any provision of this Agreement that prohibits the Borrower from taking any action shall be construed to prohibit the Borrower from taking such action directly or indirectly. Except as expressly provided in this Agreement, any reference in this Agreement to any statute, regulation or other law shall be deemed to be as of any time a reference to such statute, regulation or other law as in effect at such time or; if such statute, regulation or other law is not in effect at such time, a reference to any similar statute, regulation or other law in effect at such time. Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; the word "or" has the inclusive meaning represented by the phrase "and/or"; the word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and captions or section headings are solely for convenience and not part of the substance of this Agreement. Any representation, warranty, covenant or agreement herein shall survive execution and delivery of this Agreement and shall be deemed continuous. Any reference to the Administrative Agent's agents shall include M&T Real Estate Trust. Without limiting the generality of any reference hereunder to an agent of the Administrative Agent, any right or remedy granted to the Administrative Agent under this Agreement, including the right to be reimbursed for expenses hereunder, shall inure to the benefit of and be enforceable by both the Administrative Agent and its agents.

9.10 WAIVER OF JURY TRIAL. THE BORROWER AND THE ADMINISTRATIVE AGENT HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY EACH WAIVE ANY RIGHT TO TRIAL BY JURY THEY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS RELATED THERETO. THE BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE ADMINISTRATIVE AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE ADMINISTRATIVE AGENT WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. THE BORROWER ACKNOWLEDGES THAT THE ADMINISTRATIVE AGENT HAS BEEN INDUCED TO ACCEPT THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the day and year first above written.

BORROWER:

CANARSIE PLAZA LLC

By: /s/ Robert Masters
Name: **Robert Masters**
Title: **Senior Vice President**

ADMINISTRATIVE AGENT:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ John Stroligo
Name: **John Stroligo**
Title: **Vice President**

THE LENDING GROUP:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ John Stroligo
Name: **John Stroligo**
Title: **Vice President**

CAPITAL ONE, N.A.

By: /s/ Peter Welch
Name: **Peter Welch**
Title: **Senior Vice President**

ACKNOWLEDGMENTS

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert Masters personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014



STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 19 day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **John Stroligo**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Paul J. Richards
Notary Public

Paul J. Richards
Notary Public, State of New York
No. 604743465
Qualified in Westchester County
Commission Expires April 30, 2011

STATE OF NEW YORK)
 : ss.
COUNTY OF SUFFOLK)

On the 11th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Peter Welch** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Adrienne M. Formica
Notary Public

Adrienne M. Formica
Notary Public – State of New York
No. 01FO6206507
Qualified in Queens County
My Commission Expires May 18, 2013



First American Title Insurance Company

Title No. 3008-327413

SCHEDULE "A"

PARCEL 1

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOT 1 & LOT 7, BLOCK 7920;

2. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 216.67 FEET TO A POINT, THENCE;

3. NORTH 18° - 59' - 57" EAST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

4. NORTH 41° 29' 51" WEST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE; THE FOLLOWING FOURTEEN (14) COURSES ALONG THE LINE DIVIDING LOTS 1 AND 6, BLOCK 7920:

5. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;

6. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;

7. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

8. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;

9. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

10. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;

11. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

12. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

13. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

14. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

16. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

36. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
37. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 93.90 FEET TO A POINT, THENCE;
38. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF AFOREMENTIONED AVENUE "D", THENCE;
39. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 36.50 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 2, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:
 40. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
 41. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO A POINT, THENCE;
 42. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF SAID AVENUE "D", THENCE;
43. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 429.18 FEET TO A POINT, THENCE;
44. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 2

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT NORTH 12° - 50' - 49" EAST, A DISTANCE OF 429.19 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 2 AND LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH 12° - 50' - 49" EAST, A DISTANCE OF 106.10 FEET TO A POINT;
3. THENCE SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY SIDE OF AFOREMENTIONED AVENUE "D";

THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 3

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

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First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 45.72 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH $12^{\circ} - 50' - 49''$ WEST, A DISTANCE OF 93.90 FEET TO A POINT;

THENCE THROUGH THE INTERIOR OF LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH $77^{\circ} - 09' - 11''$ WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH $12^{\circ} - 50' - 49''$ EAST, A DISTANCE OF 93.90 FEET TO A POINT;
3. THENCE SOUTH $77^{\circ} - 09' - 11''$ EAST, A DISTANCE OF 73.20 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 4

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 88.14 FEET FROM A POINT FORMED BY THE INTERSECTION OF WESTERLY LINE OF AVENUE "D" (80 FEET WIDE) WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 4, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.20 FEET TO A POINT;
2. THENCE NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 181.90 FEET TO A POINT;
3. THENCE NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE;

THENCE ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 181.90 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 5

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 307.45 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920, THE FOLLOWING TWO (2) COURSES:

1. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 105.20 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

2. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 80.40 FEET TO THE POINT OF INTERSECTION FORMED BY THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE;

3. ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 105.20 FEET TO A POINT IN THE WESTERLY LINE OF AFOREMENTIONED REMSEN AVENUE, THENCE;

4. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE SOUTH $41^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 80.40 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 6

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

A. NORTH $48^{\circ} - 30' - 00''$ EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;

B. ALONG SAID DIVIDING LINE BETWEEN LOTS 1 & 7 AND LOT 20, BLOCK 7920, NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 218.72 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; THE FOLLOWING TWO (2) COURSES RUNNING ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 20, BLOCK, 7920:

1. NORTH $41^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 358.28 FEET TO A POINT, THENCE;

2. SOUTH $48^{\circ} - 30' - 00''$ WEST, A DISTANCE OF 128.63 FEET TO A POINT, THENCE; THE FOLLOWING NINE (9) COURSES ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 1, BLOCK 7920:

3. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 50.89 FEET TO A POINT, THENCE;

4. SOUTH $48^{\circ} - 30' - 09''$ WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

5. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

6. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

7. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

8. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

9. NORTH $41^{\circ} - 29' - 51''$ WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

10. NORTH $48^{\circ} - 30' - 09''$ EAST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

11. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;
12. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;
13. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
14. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;
15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
16. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;
17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;
18. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 314.25 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 7

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

- A. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;
- B. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;
 1. ALONG THE DIVIDING LINE BETWEEN LOT 7 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 65.58 FEET TO A POINT, THENCE;
 2. ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 7, BLOCK 7920, NORTH 48° - 30' - 09" EAST, A DISTANCE OF 314.25 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOTS 7 AND 1, BLOCK 7920:
 3. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE;
 4. SOUTH 18° - 59' - 57" WEST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;
 5. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 216.67 FEET TO THE POINT AND PLACE OF BEGINNING.

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

PERIMETER DESCRIPTION OF PARCELS 1, 2, 3, 4, 5, 6 AND 7

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 577.00 FEET TO A POINT, THENCE;

SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 785.00 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE BETWEEN LOT 1, BLOCK 7920 AND THE LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD:

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;

NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT, THENCE;

NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;

NORTH 48° - 30' - 00" EAST, A DISTANCE OF 720.00 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 387.85 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 711.40 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE FOREMENTIONED NORTHERLY LINE OF FOSTER AVENUE, THENCE;

ALONG SAID NORTHERLY LINE OF FOSTER AVENUE, SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

THE policy to be issued under this report will insure the title to such buildings and improvements erected on the premises, which by law constitute real property.

FOR CONVEYANCING ONLY: TOGETHER with all the right, title and interest of the party of the first part, of in and to the land lying in the street in front of and adjoining said premises.



MORTGAGE
(Third Mortgage)

Date: January 19, 2011

Mortgagor: CANARSIE PLAZA LLC
(Organizational Structure): limited liability company
(State Law organized under): Delaware
(Organizational Identification Number): 4343270
(Address of chief executive office): c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

Mortgagee: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation having offices at One M&T Plaza, Buffalo, New York 14203, Attn: Office of General Counsel ("M&T"), as the administrative agent for itself and **Capital One, N.A.** (the "**Co-Lender**" and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group (the "**Mortgagee**").

WITNESSETH, to secure the payment of an indebtedness in the principal sum of **up to Seven Million Dollars (\$7,000,000.00)**, lawful money of the United States, together with interest thereon and other charges with respect thereto, to be paid according to certain bonds, notes or other obligations dated as of the date hereof, made and delivered by Mortgagor to Mortgagee (the "Note"), Mortgagor hereby mortgages to Mortgagee, as continuing and collateral security for the payment of any and all indebtedness, liabilities and obligations of Mortgagor to Mortgagee, now existing or which may hereafter arise pursuant to or in connection with (as further described below) the Note, this Mortgage (Third Mortgage) (this "Mortgage"), that certain loan agreement by and between Mortgagor and Mortgagee, dated as of the date hereof (the "Loan Agreement"), the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Administrative Agent in connection with the Note (the "Loan Documents") or any amendments, renewals, extensions, modifications or substitutions of the Note or this Mortgage (collectively, the "Indebtedness"), the premises described on the attached Schedule A.

TOGETHER with all buildings, structures and other improvements now or hereafter erected, constructed or situated upon said premises, and all fixtures and equipment and other personal property now or hereafter affixed to, or used in connection with, said premises and any and all replacements thereof and additions thereto, all of which shall be deemed to be and remain and form a part of said premises and are covered by the lien of this Mortgage (said premises, buildings, structures, other improvements, fixtures and equipment and other personal property being collectively referred to as the "Premises"),

TOGETHER with all strips and gores of land adjoining or abutting the Premises,

TOGETHER with all right, title and interest of Mortgagor in and to all streets, alleys, highways, waterways and public places open or proposed in front of, running through or adjoining the Premises, and all easements and rights of way, public and private, now or hereafter used in connection with the Premises,

TOGETHER with all tenements, hereditaments and appurtenances and all the estate and rights of Mortgagor in and to the Premises,

TOGETHER with all awards heretofore or hereafter made by any federal, state, county, municipal or other governmental authority, or by whomsoever made in any condemnation or eminent domain proceedings whatsoever, to the present or subsequent owners of the Premises or any portion thereof, for the acquisition for public purposes of the Premises or any portion thereof or any interest therein or any use thereof, or for consequential damages on account thereof, including any award for any change of grade of streets affecting the Premises or any portion thereof and any award for any damage to the Premises or any portion thereof or any interest therein or any use thereof.

Capitalized terms used herein but not otherwise defined herein shall have their respective meanings ascribed to them in the Loan Agreement.

MORTGAGOR COVENANTS WITH MORTGAGEE SO LONG AS THIS MORTGAGE IS IN EFFECT AS FOLLOWS:

1. INDEBTEDNESS. The Indebtedness shall be paid as provided in the Note and as provided herein. Additionally, Mortgagor acknowledges and agrees that any amounts now or hereafter due and owing from Mortgagor to Mortgagee arising from or in connection with any interest rate swap agreement, now existing or hereafter entered into between Mortgagor and Mortgagee, and any costs incurred by Mortgagee in connection therewith, including, without limitation, any interest, expenses, fees, penalties or other charges associated with any obligations undertaken by the Lending Group to hedge or offset the Lending Group's obligations pursuant to such swap agreement, or the termination of any such obligations, shall be (i) deemed additional interest and/or a related expense (to be determined in the sole discretion of Mortgagee) due in connection with the principal amount of the Indebtedness secured by this Mortgage, (ii) included (in the manner described above) as part of the Indebtedness secured by this Mortgage, and secured by this Mortgage to the full extent thereof, and (iii) included in any judgment in any proceeding instituted by Mortgagee or its agents against Mortgagor for foreclosure of this Mortgage or otherwise.

2. **INSURANCE.** (A) Mortgagor shall keep the Premises insured against each risk to which the Premises may from time to time be subject (including fire, vandalism and other risks covered by all risk insurance; if requested by Mortgagee, earthquake; if the Premises or any portion thereof are located in an area identified as an area having special flood hazards and in which flood insurance has been made available, flood; and loss of rents by reason of such risks) for the benefit of Mortgagee. Such insurance shall be provided in such amounts, for such periods, in such form, with such special endorsements, on such terms and by such companies and against such risks as shall be satisfactory to Mortgagee. Without limiting the generality of the preceding two sentences, each policy pursuant to which such insurance is provided shall contain a mortgagee clause, in form and substance satisfactory to Mortgagee, (a) naming Mortgagee as mortgagee and (b) providing that (i) all moneys payable pursuant to such insurance shall be payable to Mortgagee, (ii) such insurance shall not be affected by any act or neglect of Mortgagor or Mortgagee, any occupancy, operation or use of the Premises or any portion thereof for purposes more hazardous than permitted by the terms of such policy, any foreclosure or other proceeding or notice of sale relating to the Premises or any portion thereof or any change in the title to or ownership of the Premises or any portion thereof and (iii) such policy and such mortgagee clause may not be canceled or amended except upon thirty (30) days' prior written notice to Mortgagee. Mortgagor shall deliver evidence of property insurance to Mortgagee in form reasonably acceptable to Mortgagee, provided however that any blanket property insurance policy shall specifically allocate to the Premises the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate policy insuring only the Premises. The acceptance by Mortgagee of evidence of property insurance from Mortgagor shall not be deemed or construed as an approval by Mortgagee of the form, sufficiency or amount of such insurance. Mortgagee does not in any way represent that such insurance, whether in scope or coverage or limits of coverage, is adequate or sufficient to protect the business or interest of Mortgagor. In the event of the foreclosure of this Mortgage, or a transfer of title to the Premises in extinguishment of the Indebtedness, all right, title and interest of Mortgagor in and to any such policies then in force shall pass to the purchaser or grantee of the Premises. All the provisions of this Section 2 and any other provisions of this Mortgage pertaining to insurance which may be required under this Mortgage shall be construed with Section 254, Subdivision 4 of the New York Real Property Law, but, said Section 254 to the contrary notwithstanding, Mortgagor consents that Mortgagee may, without qualification or limitation by virtue of said Section 254, retain and apply the proceeds of any such insurance in satisfaction or reduction of the Indebtedness, whether or not then due and payable, or it may pay the same, wholly or in part, to any Mortgagor for the repair or replacement of the Premises or for any other purpose satisfactory to Mortgagee, without affecting the lien of this Mortgage for the full amount of the Indebtedness before the making of such payment.

(B) Notwithstanding the provisions set forth above in Section 2(A), in the event that all or any part of the Premises is damaged by fire or other casualty, and Mortgagor promptly notifies Mortgagee of its desire to repair and restore the same, then, provided that the following terms and conditions are and remain fully satisfied by Mortgagor, Mortgagee shall have the right (but not the obligation) to make proof of loss for, settle and adjust any claim under, and receive the proceeds of, all insurance for loss of or damage to the Premises where the loss is estimated by Mortgagee to be One Million and 00/100 Dollars (\$1,000,000.00) or more. Mortgagee agrees to allow the insurance proceeds in an amount of up to One Million and 00/100 Dollars (\$1,000,000.00) to be disbursed to Mortgagor for repair and restoration of the Premises:

- (i) no Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Mortgage shall have occurred and be continuing;
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(ii) Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole reasonable discretion, that the Premises can be fully repaired and restored six (6) months prior to the maturity of the Note;

(iii) BJ'S Wholesale Club, Inc. ("BJ'S") has not cancelled that certain lease agreement with Mortgagor dated March 12, 2009 (the "BJ Lease") and The City of New York acting through the Department of Citywide Administrative Services ("NYC", collectively with BJ'S, the "Tenant") has not cancelled that certain lease agreement with Mortgagor dated November 5, 2009 (the "NYC Lease", collectively with the BJ Lease, the "Lease"), provided, however, that Mortgagor may contest any attempt by Tenant to cancel the Lease, however such proceeds shall not be disbursed to the Mortgagor until Mortgagee has received evidence that any such Lease has not been cancelled;

(iv) Mortgagor shall have deposited with Mortgagee for disbursement in connection with the restoration the greater of: (1) the applicable deductible under the insurance policies covering the loss; or (2) the amount by which the cost of restoration of the Premises to substantially the same value, condition and character as existed prior to such damage is reasonably estimated by Mortgagor, and approved by Mortgagee, in its reasonable judgment to exceed the net insurance proceeds available for restoration;

(v) Mortgagor has paid as and when due all of Mortgagee's direct, reasonable, out-of-pocket costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including without limitation, inspection, monitoring, engineering and legal fees. If not paid within ten (10) days of demand, and at Mortgagee's option, such costs may be deducted from the disbursements made by Mortgagee or added to the sums secured by this Mortgage in accordance with the provisions of Section 28 hereof; and

(vi) if the Tenant has commenced paying rent, Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole reasonable discretion, that the portion of the Premises being renovated is covered by adequate business interruption insurance.

Mortgagee shall have the right to apply the proceeds toward reduction of the Indebtedness as provided by Section 2(A) above, provided however that, notwithstanding the provisions set forth above in Section 2(B), to the extent any provision of either of the BJ Lease or the NYC Lease shall conflict with the provisions of Section 2(B), then in such case the BJ Lease or the NYC Lease shall control.

3. ALTERATIONS, DEMOLITION OR REMOVAL. No building, structure, other improvement, fixture or equipment or other personal property constituting any portion of the Premises shall be removed, demolished or substantially altered without the prior written consent of Mortgagee except as more fully set forth the Loan Agreement .

4. WASTE AND CHANGE IN USE. No Mortgagor shall commit any waste on the Premises or make any change in the use of the Premises which may in any way increase any ordinary fire, environmental or other risk arising out of construction or operation.

5. MAINTENANCE AND REPAIRS. Mortgagee acknowledges that construction is ongoing. Subject to the aforesaid condition, Mortgagor shall keep and maintain all buildings, structures, other improvements, fixtures and equipment and other personal property constituting any portion of the Premises and the sidewalks and curbs abutting the Premises in good order and rentable and tenable condition and state of repair. In the event that the Premises or any portion thereof shall be damaged or destroyed by fire or any other casualty, or in the event of the condemnation or taking of any portion of the Premises as a result of any exercise of the power of eminent domain, Mortgagor shall promptly restore, replace, rebuild or alter the same as nearly as possible to the condition immediately prior to such fire, other casualty, condemnation or taking without regard to the adequacy of any proceeds of any insurance or award received. Mortgagor shall give prompt written notice to Mortgagee of any such damage or destruction or of the commencement of any condemnation or eminent domain proceeding affecting the Premises or any portion thereof.

6. EXISTENCE AND AUTHORITY. Mortgagor represents and warrants, and continues to represent and warrant as long as this Mortgage is in effect, as follows: (a) it is duly organized, validly existing and in good standing under the laws of the State of Delaware and will do all things necessary to preserve and keep in full force and effect the existence, franchises, rights and privileges of Mortgagor as a limited liability company, under the laws of the State of Delaware; (b) Mortgagor has the full power and authority to grant the mortgage lien hereunder and to execute, deliver and perform its obligations in accordance with this Mortgage; (c) the execution and delivery of this Mortgage will not (i) violate any applicable law of any governmental authority or any judgment or order of any court, other governmental authority or arbitrator; (ii) violate any agreement to which Mortgagor is a party; or (iii) result in a lien or encumbrance on any of its assets (other than the mortgage lien hereunder); (d) Mortgagor's certificate of formation or other organizational or governing documents ("Governing Documents") do not prohibit any term or condition of this Mortgage; (e) each authorization, approval or consent from, each registration and filing with, each declaration and notice to, and each other act by or relating to, any party required as a condition of Mortgagor's execution, delivery or performance of this Mortgage (including any shareholder or board of directors or similar approvals) has been duly obtained and is in full force and effect and no other action is required under its Governing Documents or otherwise; and (f) Mortgagor has the power and authority to transact the business in which it is engaged and is duly licensed or qualified and in good standing in each jurisdiction in which the conduct of its business or ownership of property requires such licensing or such qualifications.

7. TAXES AND ASSESSMENTS. Unless paid from an escrow established pursuant to Section 8 of this Mortgage, Mortgagor shall pay all taxes, general and special assessments and other governmental impositions with respect to the Premises before the end of any applicable grace period. Upon request by Mortgagee, Mortgagor shall promptly deliver to Mortgagee receipted bills showing payment of all such taxes, assessments and impositions within the applicable grace period.

8. ESCROW FOR TAXES, ASSESSMENTS AND INSURANCE. Upon request by Mortgagee in the event insufficient funds remain in the budget for the construction of the Improvement to fund taxes and insurance, Mortgagor shall pay (a) monthly to Mortgagee on or before the first day of each and every calendar month, until the Indebtedness is fully paid, a sum equal to one-twelfth (1/12th) of the yearly taxes, general and special assessments, other governmental impositions and other liens and charges with respect to the Premises to be imposed for the ensuing year, as estimated by Mortgagee in good faith, and annual premiums for insurance on the Premises and (b) an initial payment such that, when such monthly payments are added thereto, the total of such payments will be sufficient to pay such taxes, assessments, impositions and other liens and charges and such insurance premiums on or before the date when they become due. Absent manifest error, Mortgagee's calculation as to the amount to be paid into Escrow shall be deemed conclusive. So long as no Event of Default (as hereinafter defined) shall have occurred or exists, Mortgagee shall hold such payments in trust in an account maintained with Mortgagee without obligation to pay interest thereon, except such interest as may be mandatory by any applicable statute, regulation or other law, to pay, to the extent funds are available, such taxes, assessments, impositions and other liens and charges and such insurance premiums within a reasonable time after they become due; provided, however, that upon the occurrence or existence of any Event of Default, Mortgagee may apply the balance of any such payments held to the Indebtedness. If the total of such payments made by any Mortgagor shall exceed the amount of such payments made by Mortgagee, such excess shall be held or credited by Mortgagee for the benefit of Mortgagor. If the total of such payments made by any Mortgagor shall be less than the amount of such taxes, assessments, impositions and other liens and charges and such insurance premiums, then Mortgagor shall pay to Mortgagee any amount necessary to make up the deficiency on or before the date when any such amount shall be due.

9. **LEASES.** Pursuant to Section 291-f of the New York Real Property Law, Mortgagor shall not (a) accept any prepayment of installments of rent to become due thereunder for more than one month in advance, without the prior written consent of Mortgagee or (b) modify or amend any existing leases, and will not make any rent concessions or other financial accommodations in favor of any tenant without the prior written consent of the Mortgagee. Further, all leases shall be subordinated to this Mortgage. In addition, any new lease for space in excess of 5,000 square feet at the Premises will be subject to the following Minimum Leasing Criteria:

Minimum Leasing Criteria

1. **Fixed Rent:** At least \$27.00 per rentable square foot (net of concessions), triple net.
2. **Term:** Not less than five (5) years.
3. **Tenant Improvement Allowance/Landlord Work:** Not more than \$70.00 per rentable square foot.
4. **Early Cancellation Rights:** None during first five (5) years, thereafter at Mortgagor's discretion.

Upon request by Mortgagee, Mortgagor shall promptly furnish to Mortgagee a written statement containing the names and mailing addresses of all lessees of the Premises or of any portion thereof, the terms of their respective leases, the space occupied and the rentals payable thereunder and copies of their respective leases and shall cooperate in effecting delivery of notice of this covenant to each affected lessee.

10. ASSIGNMENT OF LEASES AND RENTS. Mortgagor hereby assigns to Mortgagee all existing and future leases of the Premises or any portion thereof (including any amendments, renewals, extensions or modifications thereof) and the rents, issues and profits of the Premises ("Accounts"), as further security for the payment of the Indebtedness, and Mortgagor grants to Mortgagee the right to enter upon and to take possession of the Premises for the purpose of collecting the same and to let the Premises or any portion thereof, and after payment of each cost and expense (including each fee and disbursement of counsel to Mortgagee) incurred by Mortgagee in such entry and collection, to apply the remainder of the same to the Indebtedness, without affecting its right to maintain any action theretofore instituted, or to bring any action thereafter, to enforce the payment of the Indebtedness. In the event Mortgagee exercises such rights, it shall not thereby be deemed a mortgagee in possession, and it shall not in any way be made liable for any act or omission. No Mortgagor shall assign such leases, rents, issues or profits or any interest therein or grant any similar rights to any other person without Mortgagee's prior written consent. Mortgagee hereby waives the right to enter upon and to take possession of the Premises for the purpose of collecting said rents, issues and profits, and Mortgagor shall be entitled to collect the same, until the occurrence or existence of any Event of Default, but such right of Mortgagor may be revoked by Mortgagee upon the occurrence or existence of any Event of Default. Upon the occurrence or existence of any Event of Default, Mortgagor shall pay monthly in advance to Mortgagee, or to any receiver appointed to collect said rents, issues and profits, a fair and reasonable monthly rental value for the use and occupation of the Premises, and upon default in any such payment shall vacate and surrender the possession of the Premises to Mortgagee or to such receiver, and in default thereof may be evicted by summary proceedings pursuant to Article 7 of the New York Real Property Actions and Proceedings Law. The rights and remedies under this section and any separately recorded assignment of rents and/or leases in favor of Mortgagee shall be cumulative. In the event of any irreconcilable inconsistencies between such agreements and this section, the separately recorded assignment of rents and/or leases shall control.

11. SECURITY AGREEMENT. This Mortgage constitutes a security agreement under the New York Uniform Commercial Code in effect in the State of New York, as amended from time to time (the "UCC"), and Mortgagor hereby grants to Mortgagee, to secure the Indebtedness, a continuing security interest in all personal property of Mortgagor used in connection with any portion of, or otherwise constituting a portion of, the Premises, including, without limitation, fixtures, goods that are or are to become fixtures, as-extracted items and timber to be cut, as such terms and categories may be defined or described in the UCC, as applicable, whether now existing or owned or hereafter arising or acquired, and in all proceeds, products, rents, issues, profits and accounts arising therefrom. Mortgagee shall have the right to file in any public office, without the signature of Mortgagor, any financing statement relating to such items of collateral. Mortgagee shall have each applicable right and remedy of a secured party under the UCC and each applicable right and remedy pursuant to any other law or pursuant to this Mortgage.

12. NO TRANSFER. Mortgagor shall not, without Mortgagee's and the Lending Group's prior written consent, sell, convey or transfer the Premises or any portion thereof or any interest therein or contract to do so. Any change in the direct or indirect membership interest of Acadia-P/A Canarsie, LLC as the managing member and owner of 80% of the Mortgagor, whether by operation of law or otherwise, after which the percentage of such membership interest owned by any such managing member has decreased by at least twenty percent (20%) than it was on the date of this Mortgage shall be deemed a sale, conveyance or transfer of the Premises within the meaning of this Section 12. All transfers, including Permitted Transfers (as defined herein), must comply with the Patriot Act. Subject to the foregoing, the following transfers shall be permitted (the "Permitted Transfers") by the Lending Group: (i) the sale, transfer, or issuance of stock in Acadia Realty Trust, in the ordinary course of business, provided such stock is listed on the NYSE or other nationally recognized stock exchange and/or (ii) any transfer that does not result in a Change of Control (as defined below). "Change of Control" means any transaction, transfer, admission, redemption, withdrawal, change in organizational documents or structure, or otherwise, whether directly or indirectly, as a result of which any person other than Acadia Realty Trust and/or Acadia Strategic Opportunity Fund II, LLC (the "Guarantor") directly or indirectly controls Mortgagor.

13. NO SECONDARY FINANCING OR OTHER LIENS. Except for that certain Mortgage made by Mortgagor in favor of Mortgagee in the principal sum of \$48,000,000.00, dated January 12, 2010 as supplemented by that certain Supplemental Building Loan Mortgage made by Mortgagor in favor of Mortgagee in the principal sum of \$3,000,000.00 dated as of the date hereof (the "Building Loan Mortgage"), Mortgagor shall not, without Mortgagee's prior written consent, mortgage, pledge, assign, grant a security interest in or cause any other lien or encumbrance to be made or permit any other lien or encumbrance to exist upon the Premises or any portion thereof except for (a) taxes and assessments not yet delinquent and (b) any mortgage, pledge, security interest, assignment or other lien or encumbrance to Mortgagee or any affiliate of Mortgagee (an "Affiliate").

14. COMPLIANCE WITH LAWS. Mortgagor represents and warrants to Mortgagee, and continues to represent and warrant as long as this Mortgage is in effect, as follows: (a) the buildings, structures and other improvements now constituting any portion of the Premises are in full compliance with all applicable statutes, regulations and other laws (including all applicable zoning, building, fire and health codes and ordinances and the Americans With Disabilities Act of 1990) and all applicable deed restrictions, if any, and is not and shall not be used for any illegal purpose; (b) such compliance is based solely upon Mortgagor's ownership of the Premises and not upon title to or interest in any other property. Mortgagor shall comply with or cause compliance with all statutes, regulations and other laws (including all applicable zoning, building, fire and health codes and ordinances and the Americans With Disabilities Acts of 1990), all other requirements of all governmental authorities whatsoever having jurisdiction over or with respect to the Premises or any portion thereof or the use or occupation thereof and with all applicable deed restrictions, if any; provided, however, that Mortgagor may postpone such compliance if and so long as the validity or legality of any such requirement or restriction shall be contested by such Mortgagor, with diligence and in good faith, by appropriate legal proceedings and Mortgagee is satisfied that such non-compliance will not impair or adversely affect the value of its security.

15. WARRANTY OF TITLE; TITLE INSURANCE. Mortgagor represents and warrants to Mortgagee, and continues to represent and warrant as long as this Mortgage is in effect, that Mortgagor holds good and marketable title in fee simple absolute to the Premises. Upon request by Mortgagee, Mortgagor shall furnish to Mortgagee at Mortgagor's own cost and expense a title insurance policy in the then amount of the Indebtedness, (a) naming Mortgagee as mortgagee, (b) covering the lien on the Premises granted pursuant to this Mortgage, (c) containing no exception not approved by Mortgagee, (d) issued by a title insurance company qualified to do business in the State of New York and satisfactory to Mortgagee and (e) otherwise in form and substance satisfactory to Mortgagee.

16. CERTAIN RIGHTS AND OBLIGATIONS.

(a) Mortgagee may take such action as Mortgagee deems appropriate to protect the Premises or the status or priority of the lien of this Mortgage, including: entry upon the Premises to protect the Premises from deterioration or damage, or to cause the Premises to be put in compliance with any governmental, insurance rating or contract requirements; payment of amounts due on liens having priority over this Mortgage; payment of any tax or charge for purposes of assuring the priority or enforceability of this Mortgage; obtaining insurance on the Premises (including flood insurance); or commencement or defense of any legal action or proceeding to assess or protect the validity or priority of the lien of this Mortgage. On demand, Mortgagor shall reimburse Mortgagee for all expenses in taking any such action, with interest, and the amount thereof shall be secured by this Mortgage and shall, to the extent permitted by law, be in addition to the maximum amount of the Indebtedness evidenced by the Note.

(b) Mortgagor authorizes Mortgagee, without notice, demand or any reservation of rights and without affecting this Mortgage, from time to time: (i) to accept from any person or entity and hold additional collateral for the payment of the Indebtedness or any part thereof, and to exchange, enforce or refrain from enforcing, or release such collateral or any part thereof; (ii) to accept and hold any endorsement or guaranty of payment of the Indebtedness or any part thereof, and to release or substitute any such obligation of any Guarantor or any person or entity who has given any collateral as security for the payment of the Indebtedness or any part thereof, or any other person or entity in any way obligated to pay the Indebtedness or any part thereof, and to enforce or refrain from enforcing, or compromise or modify, the terms of any obligation of any such Guarantor, person or entity; (iii) upon the occurrence of an Event of Default, to direct the order or manner of the disposition of any and all collateral and the enforcement of any and all endorsements and guaranties relating to the Indebtedness or any part thereof as Mortgagee, in its sole discretion, may determine; and (iv) upon the occurrence of an Event of Default to determine the manner, amount and time of application of payments and credits, if any, to be made on all or any part of any component or components of the Indebtedness (whether principal, interest, costs and expenses, or otherwise) including if the amount of the Indebtedness secured by this Mortgage is less than the total amount of the obligations under the Note or that certain Continuing Guaranty of the Guarantor, dated January 12, 2010 as amended and restated by that certain Amended and Restated Continuing Guaranty dated as of the date hereof (collectively, the "Guaranty"), to make any such application to such obligations, if any, in excess of the amount of the Indebtedness secured by this Mortgage.

(c) Notwithstanding the occurrence of an Event of Default, this Mortgage shall remain valid, binding and enforceable: (i) without deduction by reason of any setoff, defense or counterclaim of Mortgagor or Guarantor; (ii) without requiring protest or notice of nonpayment or notice of default to Mortgagor or to Guarantor, or to any other person; (iii) without demand for payment or proof of such demand; (iv) without requiring Mortgagee to resort first to Mortgagor or to any other guaranty or any collateral which Mortgagee may hold; (v) without requiring notice of acceptance hereof or assent hereto by Mortgagee; and (vi) without requiring notice that any indebtedness has been incurred or of the reliance by Mortgagee upon this Mortgage; all of which Mortgagor hereby waives.

(d) The enforceability of this Mortgage shall not be affected by: (i) any failure to perfect or continue the perfection of any security interest in or other lien on any other collateral securing payment of the Indebtedness; (ii) the invalidity, unenforceability, or loss or change in priority of any such security interest or other lien; (iii) any failure to protect, preserve or insure any such collateral; (iv) any defense arising by reason of the cessation from any cause whatsoever of liability of any Guarantor; (v) any compromise of any obligation of Mortgagor or any Guarantor; (vi) the invalidity or unenforceability of any of the Indebtedness; or (vii) any renewal, extension, acceleration, or other change in the time for payment of, or the terms of the interest on the Indebtedness or any part thereof; all of which Mortgagor hereby waives.

(e) If Mortgagee shall receive from or on behalf of Mortgagor any sum less than the full amount then due and payable, Mortgagee may, but shall not be obligated to, accept the same and, if it elects to accept any such payment, it may without waiving any Event of Default: (i) apply such payment on account of the Indebtedness or any amount payable hereunder, or (ii) hold same or any part thereof, without liability for interest, in a special account and from time to time apply same or any part thereof as specified in subsection (i) of this subsection.

17. LIEN LAW COVENANT. Mortgagor shall receive the advances secured by this Mortgage and shall hold the right to receive such advances as a trust fund in accordance with the provisions of Section 13 of the New York Lien Law.

18. APPLICATION OF AND INTEREST ON CONDEMNATION AWARD. (A) Mortgagor consents that Mortgagee may retain and apply the proceeds of any award by a condemning authority in satisfaction or reduction of the Indebtedness, whether or not then due and payable, or it may pay the same, wholly or in part, to Mortgagor for the restoration or alteration of the Premises or for any other purpose satisfactory to Mortgagee, without affecting the lien of this Mortgage for the full amount of the Indebtedness before the making of such payment. In the event of the condemnation or taking by eminent domain of the Premises or any portion thereof, Mortgagee shall not be limited to the interest paid on the award by the condemning authority, but shall be entitled to receive out of the award interest on the Indebtedness in accordance with its terms.

(B) Notwithstanding the foregoing provisions set forth above in Section 18(A), and provided that the following terms and conditions are and remain fully satisfied by Mortgagor, Mortgagee agrees to allow the proceeds of a condemnation award in an amount of up to One Million and 00/100 Dollars (\$1,000,000.00) to be applied to restoration of the Premises, if necessary in Mortgagee's sole discretion:

- (i) no Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Mortgage shall have occurred and be continuing;
- (ii) Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole discretion, that the Premises can be fully restored six (6) months prior to the maturity of the Note;
- (iii) Tenant has not cancelled the Lease;
- (iv) Mortgagor shall have deposited with Mortgagee for disbursement in connection with the restoration the greater of: (1) the applicable deductible under the insurance policies covering the loss; or (2) the amount by which the cost of restoration of the Premises to substantially the same value, condition and character as existed prior to such damage is estimated by Mortgagee to exceed the net insurance proceeds available for restoration; and
- (v) Mortgagor has paid as and when due all of Mortgagee's direct, reasonable, out-of-pocket costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including without limitation, inspection, monitoring, engineering and reasonable legal fees. If not paid within ten (10) days of demand, and at Mortgagee's option, such costs may be deducted from the disbursements made by Mortgagee or added to the sums secured by this Mortgage in accordance with the provisions of Section 28 hereof ; and
- (vi) Mortgagor shall have delivered evidence reasonably satisfactory to Mortgagee, in its sole reasonable discretion, that the portion of the Premises being restored is covered by adequate business interruption insurance.

19. APPOINTMENT OF RECEIVER. In addition to any other remedy, upon the occurrence of any Event of Default, Mortgagee, in any action to foreclose this Mortgage, shall be entitled, without notice or demand and without regard to the adequacy of any security for the Indebtedness or the solvency or insolvency of any person liable for the payment thereof, to the appointment of a receiver of the rents, issues and profits of the Premises.

20. SALE IN ONE OR MORE PARCELS. In case of a foreclosure sale, the Premises may be sold in one or more parcels, any provision of any statute, regulation or other law to the contrary notwithstanding.

21. ESTOPPEL STATEMENT. Upon request by Mortgagee, Mortgagor shall furnish to Mortgagee within five (5) business days if such request is made in person or within ten (10) business days if such request is otherwise made a written statement duly acknowledged of the amount of the Indebtedness and whether any offsets or defenses exist against the Indebtedness. Upon request by Mortgagor, but not more frequently than twice in any given calendar year, Mortgagee shall furnish to Mortgagor within five (5) business days if such request is made in person or within ten (10) business days if such request is otherwise made a written statement duly acknowledged of the amount of the Indebtedness.

22. **RIGHT TO INSPECT AND EXAMINE.** Upon request by Mortgagee, Mortgagor shall immediately permit Mortgagee and each officer, employee, accountant, attorney and other agent of Mortgagee to enter and inspect the Premises and to examine, audit, copy and extract each record of any Mortgagor relating to the Premises or any portion thereof.

23. **FINANCIAL STATEMENTS.** Mortgagor shall furnish to Mortgagee the following financial information, in each instance prepared in accordance with generally accepted accounting principles consistently applied and otherwise in form and substance satisfactory to Mortgagee and certified to be true and complete in all material respects by an authorized officer of Mortgagor:

(a) Fiscal Year End Financial Statements.

(1) As soon as available, but in any event within one hundred twenty (120) days of the fiscal year end, Mortgagor shall cause the Guarantor to deliver to Mortgagee, annual accountant audited financial statements for Guarantor.

(2) As soon as available, but in any event within one hundred twenty (120) days of the fiscal year end, Mortgagor shall deliver to Mortgagee, annual internally prepared financial statements for Mortgagor and a certification by an officer of Mortgagor that all covenants as required are in compliance and have been checked, and that no violations or defaults have occurred and if so, an explanation of the steps taken to correct such violations and/or cure such default, and in the event that the Mortgagor has elected the option to modify the Note to a mini-permanent mortgage loan then the Mortgagor shall furnish financial statements which shall contain all rental and other income and the detailed operating expenses for the Premises, including a rent roll, together with (i) an annual compliance certificate with a calculation of financial covenants signed by an authorized officer of Mortgagor; and (ii) a certification by an officer of Mortgagor that all covenants as required are in compliance and have been checked, and that no violations or defaults have occurred and if so, an explanation of the steps taken to correct such violations and/or cure such default.

(b) Tax Returns. (i) Mortgagor shall deliver to Mortgagee, no later than April 16th of each year or, if extended, within thirty (30) days after same are filed, complete copies of federal tax returns together with all schedules and addenda thereto, as applicable, each of which shall be signed and certified by Mortgagor to be true and complete copies of such returns; and (ii) Mortgagor shall cause Guarantor to deliver to Mortgagee, no later than April 16th of each year or, if extended, within thirty (30) days after same are filed, complete copies of federal tax returns of Guarantor together with all schedules and addenda thereto, as applicable, each of which shall be signed and certified by Guarantor to be true and complete copies of such returns.

(c) Other Information. Mortgagor shall deliver to Mortgagee within fifteen (15) days of the Mortgagee's request therefor, a rent roll and such other financial information with respect to the Mortgagor in such detail as the Mortgagee may reasonably require.

24. AUTHORIZATION AND POWER OF ATTORNEY. Mortgagee is irrevocably and unconditionally authorized to take, and Mortgagor irrevocably and unconditionally appoints Mortgagee as the attorney-in-fact of such Mortgagor, with full power of substitution and of revocation, to take, in the name of such Mortgagor or otherwise at the sole option of Mortgagee, each action relating to the Premises or any portion thereof that, subject to this Mortgage, such Mortgagor could take in the same manner, to the same extent and with the same effect as if such Mortgagor were to take such action; provided, however, that Mortgagee shall not have the right, pursuant to such authorization or as such attorney-in-fact, to sell or otherwise dispose of the Premises or any portion thereof. Such power of attorney is coupled with an interest in favor of Mortgagee, and shall not be terminated or otherwise affected by the death, disability or incompetence of any Mortgagor.

25. FURTHER ASSURANCES. Promptly upon request by Mortgagee, Mortgagor shall execute and deliver each writing, and take each other action, that Mortgagee shall deem necessary or desirable at the sole option of Mortgagee (a) to perfect or accomplish any lien or security interest granted, or assignment made, pursuant to this Mortgage; (b) otherwise to accomplish any purpose of this Mortgage; (c) in connection with any transaction contemplated by this Mortgage; or (d) in connection with the Premises or any portion thereof.

26. ENVIRONMENTAL REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION. Mortgagor represents and warrants, and continues to represent and warrant as long as this Mortgage is in effect to the best of its knowledge, to Mortgagee that except as otherwise disclosed in that certain Business/Lender Phase I Environmental Site Assessment Report dated October 9, 2009 (a) Mortgagor and the Premises are in compliance with each statute, regulation or other law and each judgment, order or award of any court, agency or other governmental authority or of any arbitrator (individually an "Environmental Requirement") relating to the protection of any water, water vapor, land surface or subsurface, air, fish, wildlife, biota or other natural resources or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of any chemical, natural or synthetic substance, waste, pollutant or contaminant (collectively "Regulated Materials"), (b) Mortgagor has not been charged with, or has received any notice that such Mortgagor is under investigation for, the failure to comply with any Environmental Requirement, nor has Mortgagor received any notice that Mortgagor has or may have any liability or responsibility under any Environmental Requirement with respect to the Premises or otherwise, (c) the Premises have never been used for (i) the storage, treatment, generation, transportation, processing, handling, production or disposal of Regulated Materials, except as permitted by law, (ii) a landfill or other waste disposal site or (iii) military purposes, (d) no underground storage tanks are located on the Premises, (e) the environmental media at the Premises do not contain Regulated Materials beyond any legally permitted level, (f) there has never been any release, threatened release, migration or uncontrolled presence of any Regulated Materials on, at or from the Premises or, to the knowledge of Mortgagor, within the immediate vicinity of the Premises and (g) Mortgagor has not received any notice of any such release, threatened release, migration or uncontrolled presence. Mortgagor shall not cause or permit the Premises to be used in any way that would result in any of the representations and warranties contained in the preceding sentence to be false or misleading at any future time. To the extent any such representation or warranty at any time is or becomes false or misleading, Mortgagor shall promptly notify Mortgagee thereof. If at any time Mortgagor obtains any evidence or information which suggests that potential environmental problems may exist on, at or about the Premises, Mortgagee may request Mortgagor, at Mortgagor's own cost and expense, to conduct and complete investigations, studies, sampling and testing with respect to the Premises requested by Mortgagee. Mortgagor shall promptly furnish to Mortgagee copies of all such investigations, studies, samplings and tests. Mortgagor shall (a) conduct and complete all such investigations, studies, samplings and testing, and all remedial, removal and other actions necessary with respect to the Premises, in accordance with all applicable Environmental Requirements and promptly furnish to Mortgagee copies of all documents generated in connection therewith and (b) defend, reimburse, indemnify and hold harmless Mortgagee, its employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, the violation of, or other liability or responsibility under, any Environmental Requirements, or the release, threatened release, migration or uncontrolled presence of any Regulated Materials on, at or from the Premises including attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. In the event this Mortgage is foreclosed, or Mortgagor tenders a deed in lieu of foreclosure which Mortgagee agrees to accept, Mortgagor shall be responsible to deliver the Premises to Mortgagee free of any and all Regulated Materials other than any that are (a) normally used in Mortgagor's business and (b) located and maintained thereon in compliance with all applicable Environmental Requirements and in a condition that conforms with all applicable Environmental Requirements. The provisions of this Section 26 shall be in addition to any and all other obligations and liabilities Mortgagor may have to Mortgagee at common law or any other agreement with Mortgagee, and shall survive the transactions contemplated in this Mortgage and the termination of this Mortgage.

27. EVENTS OF DEFAULT.

(a) Any of the following events or conditions shall constitute an "Event of Default":

(i) failure by Mortgagor to pay when due (whether at the stated maturity, by acceleration, upon demand or otherwise) the Indebtedness, or any part thereof, or there occurs any event or condition which after notice, lapse of time or after both notice and lapse of time will permit acceleration of the Indebtedness or the Indebtedness as set forth under the Building Loan Mortgage or this Mortgage;

(ii) default by Mortgagor in the performance of any obligation, term or condition of this Mortgage, the Building Loan Mortgage or any other agreement with Mortgagee or any of its Affiliates where such default is not otherwise referred to in this Mortgage, the Building Loan Mortgage or other agreement with Mortgagee or any of its Affiliates and same is not cured, if capable of being cured, within thirty (30) days after notice, provided that if Mortgagor cannot perform or comply within such thirty (30) day period and such failure is capable of performance or compliance by Mortgagor, then so long as Mortgagor has commenced to perform or comply and thereafter diligently and expeditiously proceeds to perform or comply, such thirty (30) day period shall be extended for such time as is reasonably necessary for Mortgagor to perform or comply;

(iii) failure by Mortgagor to pay when due (whether at the stated maturity, by acceleration, upon demand or otherwise) any material indebtedness or obligation owing to any third party or any Affiliate, the occurrence of any event which could result in acceleration of payment of any such material indebtedness or obligation or the failure to perform any agreement with any third party or any Affiliate;

(iv) Mortgagor is dissolved, becomes insolvent, generally fails to pay or admits in writing its inability generally to pay its debts as they become due;

(v) failure to pay, withhold or collect any tax as required by law;

(vi) Mortgagor makes a general assignment, arrangement or composition agreement with or for the benefit of its creditors or makes, or sends notice of any intended, bulk sale; the sale, assignment, transfer or delivery of all or substantially all of the assets of Mortgagor to a third party; or the cessation by Mortgagor as a going business concern;

(vii) Mortgagor files a petition in bankruptcy or institutes any action under federal or state law for the relief of debtors or seeks or consents to the appointment of an administrator, receiver, custodian or similar official for the wind up of its business (or has such a petition or action filed against it and such petition action or appointment is not dismissed or stayed within sixty (60) days);

(viii) the reorganization, merger, consolidation or dissolution of Mortgagor (or the making of any agreement therefor);

(ix) the entry of any judgment in excess of \$500,000, or order of any court, other governmental authority or arbitrator against Mortgagor;

(x) falsity, omission or inaccuracy of facts submitted to Mortgagee or any Affiliate (whether in a financial statement or otherwise);

(xi) any pension plan of Mortgagor fails to comply with applicable law or has vested unfunded liabilities that, in the opinion of Mortgagee, might have a material adverse effect on Mortgagor's ability to repay its debts;

(xii) any indication or evidence received by Mortgagee that Mortgagor may have directly or indirectly been engaged in any type of activity which, in Mortgagee's reasonable discretion, might result in the forfeiture of the Premises to any governmental authority, including the material breach or default under any covenants, restrictions or other agreements recorded of record against the Premises;

(xiii) the occurrence of any event described in Section 27.1(i) through and including 27.1(xii) with respect to any Guarantor;

(xiv) Mortgagee in good faith believes that the prospect of payment of all or any part of the Indebtedness or performance of Mortgagor's obligations under this Mortgage or any other agreement now or hereafter in effect between Mortgagor or Guarantor and Mortgagee or its Affiliates is impaired; or

(xvi) the occurrence of an Event of Default under any of the Loan Documents, the Loan Agreement, the Building Loan Mortgage or the Mortgage Loan Mortgage.

(b) Mortgagee, at its sole election, may declare all or any part of any Indebtedness not payable on demand to be immediately due and payable without demand or notice of any kind upon the happening of any Event of Default. All or any part of any Indebtedness not payable on demand shall be automatically and immediately due and payable, without demand or notice of any kind, upon the commencement of Mortgagor's or Debtor's bankruptcy if voluntary and upon the lapse of sixty (60) days without dismissal if involuntary, unless an order for relief is entered sooner. The provisions of this paragraph are not intended in any way to affect any rights of Mortgagee with respect to any Indebtedness which may now or hereafter be payable on demand.

(c) Upon the happening of an Event of Default, whether or not foreclosure proceedings have been instituted, Mortgagor shall, upon demand, surrender possession of the Premises to Mortgagee. If Mortgagor remains in possession of the Premises after the happening of an Event of Default and demand by Mortgagee, the possession shall be as tenant of Mortgagee and Mortgagor agrees to pay in advance upon demand to Mortgagee a reasonable monthly rental for the Premises or portion so occupied. Mortgagee may dispossess, by summary proceedings or otherwise, any tenant of Mortgagor defaulting in the payment of rent. If a receiver is appointed, this covenant shall inure to the benefit of such receiver. Notwithstanding any provision of law to the contrary, Mortgagee may, at its option, foreclose this Mortgage subject to the rights of tenants of the Premises which are subordinate to the lien of this Mortgage.

(d) If the Indebtedness, as evidenced by a single note or other written instrument shall exceed the amount secured by this Mortgage, or as evidenced by a combination of same that singularly or in part collectively may be less than said secured amount but combined exceed said secured amount, Mortgagee, in any foreclosure hereof, shall have the right to sue and collect the excess in the same action as commenced for the foreclosure hereof, and recover a money judgment for said excess with all the rights attendant thereto, including the issuance of an execution to the Sheriff for collection thereof, and Mortgagor hereby waives any defense based upon a claim that in doing so, Mortgagee is splitting its cause of action if it seeks to foreclose this Mortgage for part of the indebtedness and recover at law for another part.

(e) Upon the happening of an Event of Default, Mortgagee may pursue, take or refrain from pursuing any remedy for collection of the Indebtedness, including foreclosure of this Mortgage.

(f) Mortgagee may, either with or without entry or taking possession of the Premises as provided in this Mortgage or otherwise, personally or by its agents or attorneys, and without prejudice to the right to bring an action of foreclosure of this Mortgage: (A) sell the Premises or any part thereof pursuant to any procedures provided by applicable law allowing non-judicial foreclosure of Mortgage by sale, and all estate, right, title, interest, claim and demand therein, and right of redemption thereof, at one or more sales as an entity or in parcels, and at such time and place upon such terms and after such notice thereof as may be required or permitted by applicable law or (B) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Note or in this Mortgage, or in aid of the execution of any power granted in this Mortgage, or for any foreclosure under this Mortgage, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as Mortgagee may elect. Any reference in this Mortgage to an action or right of Mortgagee in regard to or in connection with a "foreclosure proceeding" shall be deemed to include a sale and/or proceeding under this subsection, including a non-judicial foreclosure of mortgage by sale.

28. EXPENSES. Mortgagor shall pay to Mortgagee and the Co-Lender on demand all reasonable costs and expenses (including reasonable attorneys' fees and disbursements whether for internal or outside counsel) incurred by Mortgagee and the Co-Lender in connection with the Indebtedness or the Mortgage including costs of collection, of preserving or exercising any right or remedy of Mortgagee under this Mortgage or any related security agreement or guaranty, of workout or bankruptcy proceedings by or against Mortgagor, of defending against any claim asserted as a direct or indirect result of the Indebtedness or of performing any obligation of any Mortgagor pursuant to this Mortgage or otherwise (including payment of any amount any Mortgagor is obligated to pay pursuant to this Mortgage and performance of any obligation of Mortgagor pursuant to this Mortgage). Mortgagor agrees to defend and indemnify Mortgagee and the Co-Lender from any and all third party claims arising from Mortgagor's duties as owner and/or occupant of the Premises, and further agrees to pay, upon demand, any expense that Mortgagee and the Co-Lender may incur (including reasonable attorneys' fees and disbursements whether for internal or outside counsel) due to Mortgagor's failure to provide appropriate defense and indemnification to Mortgagee and the Co-Lender in a timely manner. Mortgagee and the Co-Lender reserves the right to have Mortgagor pay, upon demand, administrative fee(s) in regard to any administrative action Mortgagee and the Co-Lender is required or requested to take including the preparation of discharges, releases or assignments to third parties. Costs and expenses shall accrue interest at the Default Rate from the date of demand until payment is actually received by Mortgagee and the Co-Lender. Each such cost and expense and any interest thereon shall constitute part of the Indebtedness and be secured by this Mortgage and may be added to the judgment in any suit brought by Mortgagee, the Co-Lender or their respective agents against any Mortgagor on this Mortgage.

29. NOTICES. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Mortgagor or to Mortgagee addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 29. Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal service and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (*e.g.*, Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Mortgagor and Mortgagee.

Mortgagee: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: Office of General Counsel

with a copy to: DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and
Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Mortgagor: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Robert Masters, Esq.

30. LITIGATION. Mortgagor shall promptly notify Mortgagee in writing of any litigation, proceeding, or counterclaim against, or of any investigation of, Mortgagor (or the threat thereof) if: (i) the outcome of such litigation, proceeding, counterclaim, or investigation may materially and adversely affect the finances or operations of Mortgagor or title to, or the value of, any assets secured by the Mortgage or (ii) such litigation, proceeding, counterclaim, or investigation questions the validity of the Mortgage, the Note or any document executed in connection therewith including any guaranties or any action taken, or to be taken, pursuant to any such documents. Mortgagor shall furnish to Mortgagee such information regarding any such litigation, proceeding, counterclaim, or investigation as Mortgagee shall request.

31. NOTICE OF NON-COMPLIANCE. Mortgagor shall notify Mortgagee in writing of any failure by Mortgagor to comply with any provision of the Note, the Mortgage or any document executed in connection therewith immediately upon learning of such non-compliance, or if any representation, warranty or covenant contained in any such document is no longer true. Mortgagor shall also immediately notify Mortgagee in writing if there is any material adverse change in any of the information or financial statements supplied to Mortgagee to induce Mortgagee to extend credit to Mortgagor or if such information or financial statement is required under this Mortgage or any other document executed in connection therewith.

32. COVENANTS SHALL RUN WITH THE LAND. The covenants contained in this Mortgage shall run with the land and bind Mortgagor, each heir, legal representative, successor and assign of Mortgagor and each subsequent owner, encumbrancer, tenant and subtenant of the Premises or any portion thereof, and shall inure to the benefit of, and be enforceable by, Mortgagee and each successor and assign of Mortgagee.

33. NONWAIVER BY MORTGAGEE. All rights and remedies of Mortgagee under this Mortgage and its other agreements with Mortgagor are cumulative, and no right or remedy shall be exclusive of any other right or remedy. No single, partial or delayed exercise by Mortgagee or its agents of any right or remedy shall preclude full and timely exercise by Mortgagee or its agents at any time of any right or remedy of Mortgagee without notice or demand, at Mortgagee's sole option. No course of dealing or other conduct, no oral agreement or representation made by Mortgagee or its agents or usage of trade shall operate as a waiver of any right or remedy of Mortgagee. No waiver of any right or remedy of Mortgagee hereunder shall be effective unless made specifically in writing by Mortgagee. No notice or demand on Mortgagor or Guarantor in any case shall entitle Mortgagor or Guarantor to any other or further notice in similar or other circumstances.

34. RIGHT OF SETOFF. If an Event of Default occurs, Mortgagee, the Co-Lender and their respective Affiliates shall also have the right to setoff against the indebtedness any property held in a deposit or other account or otherwise owing by Mortgagee, the Co-Lender or their respective Affiliates including, in any capacity to any Mortgagor or Guarantor in any capacity whether or not the Indebtedness or the obligation to pay such moneys owed by Mortgagee and the Co-Lender is then due, and Mortgagee and the Co-Lender shall be deemed to have exercised such right of setoff immediately at the time of such election.

35. TERM; SURVIVAL. The term of this Mortgage and Mortgagor's obligations hereunder shall continue until the Indebtedness has been fully paid to Mortgagee's satisfaction. Mortgagor's obligation to pay the costs and expenses hereunder shall survive the term of this Mortgage and the entry of any judgment of foreclosure. Mortgagor's representations, warranties, covenants and agreements shall survive during the term of this Mortgage and shall be presumed to have been relied upon by Mortgagee. If after receipt of any payment of all or any part of the Indebtedness, Mortgagee is for any reason compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, impermissible set-off, or a diversion of trust funds, or for any other reason, this Mortgage shall continue in full force notwithstanding any contrary action which may have been taken by Mortgagee in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Mortgagee's rights under this Mortgage and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

36. MISCELLANEOUS. This Mortgage is absolute and unconditional. This Mortgage and all documents, including the Note, any Guaranty and any other document required to be executed by Mortgagor or Guarantor in connection with the transaction contemplated hereby constitute the entire agreement and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transactions. This Mortgage is a binding obligation enforceable against Mortgagor and its heirs and legal representatives and its successors and assigns and shall inure to the benefit of Mortgagee and its successors and assigns. Any reference herein to "Mortgagee" shall be deemed to include and apply to every subsequent holder of this Mortgage and any reference herein to "Mortgagor", or "Guarantor" shall include: (i) any successor individual or individuals, association, partnership, limited liability company or corporation to which all or substantially all of the business or assets of Mortgagor or Guarantor, as the case may be, shall have been transferred; (ii) in the case of a partnership Mortgagor or Guarantor (as the case may be) any new partnership which shall have been created by reason of the admission of any new partner or partners therein, or by reason of the dissolution of the existing partnership by voluntary agreement or the death, resignation or other withdrawal of any partner; and (iii) in the case of a corporate or limited liability company, Mortgagor or Guarantor (as the case may be) any other entity into or with which Mortgagor or Guarantor (as the case may be) shall have been merged, consolidated, reorganized, or absorbed. It is the intent of Mortgagor and Mortgagee that the provisions of this Mortgage, other than those included in the New York statutory form of mortgage, shall be construed as affording to Mortgagee rights additional to, and not exclusive of, the rights conferred under the provisions contained in such statutory form. Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; the word "or" has the inclusive meaning represented by the phrase "and/or"; the word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and captions or section headings are solely for convenience and not part of the substance of this Mortgage. Any representation, warranty, covenant or agreement herein shall survive execution and delivery of this Mortgage and shall be deemed continuous. Each provision of this Mortgage shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision nevertheless is held invalid, the other provisions shall remain in effect. Mortgagor agrees that in any legal proceeding, a photocopy of this Mortgage kept in Mortgagee's course of business may be admitted into evidence as an original.

37. **JOINT AND SEVERAL.** If there is more than one Mortgagor, each of them shall be jointly and severally liable for all amounts and obligations which become due or should be performed under this Mortgage and the term "Mortgagor" shall include each as well as all of them.

38. **GOVERNING LAW; JURISDICTION.** This Mortgage has been delivered to and accepted by Mortgagee and will be deemed to be made in the State of New York. This Mortgage will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **MORTGAGOR AND MORTGAGEE HEREBY IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN NEW YORK STATE IN NEW YORK OR WESTCHESTER COUNTY AND CONSENTS THAT MORTGAGEE MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT MORTGAGOR'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS MORTGAGE WILL PREVENT MORTGAGEE FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST MORTGAGOR INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF MORTGAGOR WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Mortgagor acknowledges and agrees that the venue provided above is the most convenient forum for both Mortgagee and Mortgagor. Mortgagor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Mortgage.

39. **WAIVER OF JURY TRIAL. MORTGAGOR AND MORTGAGEE HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY EACH WAIVE ANY RIGHT TO TRIAL BY JURY THEY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS MORTGAGE OR THE TRANSACTIONS RELATED THERETO. MORTGAGOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF MORTGAGEE HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT MORTGAGEE WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. MORTGAGOR ACKNOWLEDGES THAT MORTGAGEE HAS BEEN INDUCED TO ACCEPT THIS MORTGAGE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

40. **RECOURSE LIABILITY.** No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "Exculpated Party") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Administrative Agent and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Administrative Agent or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this Section 40 shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees). Notwithstanding the foregoing provisions of this Section 40, each Exculpated Party shall be personally (and on a full recourse basis) liable for and shall indemnify and defend Administrative Agent and the Lending Group from and against, and shall hold Administrative Agent and the Lending Group harmless of, from and against any deficiency, liability, loss, damage, costs, and expenses (including legal fees and disbursements) suffered by Administrative Agent and/or the Lending Group and caused by, or arising out of or as a result of any of the following: (i) such Person's commission of a criminal act; (ii) such Person's failure to comply with the provisions of the Loan Documents prohibiting a transfer or Change of Control; (iii) such Person's misappropriation of any cash flow or other revenue derived from or in respect of the Project, including security deposits, insurance proceeds, condemnation awards, or any rental, sales or other income derived directly or indirectly from the Project, or the misapplication of any of the foregoing sums, in either event, in contravention of any provision of this Mortgage or the other Loan Documents; (iv) such Person's fraud or misrepresentation or inaccurate certification made at any time in connection with the Loan Documents or the Indebtedness; (v) such Person's intentional interference with Administrative Agent's (or the Lending Groups') exercise of its rights under any of the Loan Documents; (vi) such Person's intentional destruction or removal of fixtures or personal property securing the Obligations unless replaced by items of equal value and utility; (vii) such Person's misapplication or misappropriation of funds disbursed from the Project Fund; (viii) such Person's commissions of intentional waste to or of the Project or any portion thereof or failure to maintain the Project and the Premises in the manner required by the Loan Documents; (ix) failure to maintain the insurance coverage required by the Loan Documents; (x) failure to pay taxes, assessments and any other charges, including, without limitation, charges for labor or materials, which could result in prior liens against any portion of the Project; (xi) willful misconduct; (xii) Borrower files a voluntary petition under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiii) such Person files or joins in the filing of, or solicits or acts in concert with, or colludes or conspires with petitioning creditors with respect to, an involuntary petition against Borrower under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiv) Borrower files an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xv) such Person consents to or acquiesces in or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any portion of the Project; or (xvi) Borrower makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due.

41. ASSIGNMENT. Upon the request of Mortgagor, Mortgagee shall assign its rights under this Mortgage in the event of a refinance of the Premises provided the debt is repaid in full in connection therewith and such assignment is made without recourse and without representation or warranty and further provided that Mortgagee hereby agrees to pay to Mortgagor an assignment fee of \$5,000.00 (the "Assignment Fee") and to pay the reasonable fees of Mortgagee's counsel to prepare such assignment, notwithstanding the foregoing, this Assignment Fee shall be in addition to not substitution for any Exit Fee that may or may not be due in accordance with the terms and conditions of the Loan Documents.

42. MAXIMUM AMOUNT OF INDEBTEDNESS. Notwithstanding anything to the contrary in his Mortgage, the maximum aggregate principal amount of indebtedness that is, or under any contingency may be, secured by this Mortgage (including Mortgagor's obligation to reimburse advances made by Mortgagee), either at execution or any time thereafter is \$7,000,000.00 (the "Secured Amount"), plus all interest, amounts that Mortgagee has advanced to Mortgagor in accordance with the Loan Documents and that Mortgagee expends after a declaration of default under the Mortgage to the extent that any such amounts shall constitute payment of (i) taxes, charges or assessments that may be imposed by law upon the Premises; (ii) premiums on insurance policies covering the Premises; (iii) expenses incurred in upholding the lien of this Mortgage, including the expenses of any litigation to prosecute or defend the rights and lien created by this Mortgage; or, (iv) any amount, cost or charge to which Mortgagee becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority; then, in each such event, such amounts or costs, together with interest thereon, shall be added to the indebtedness secured hereby and shall be secured by this Mortgage.

43. **PARTIAL RELEASE.** Mortgagee hereby agrees to release Lot 7 from the lien of this Mortgage upon the delivery of an opinion of counsel satisfactory to the Mortgagee, and Mortgagee's counsel that after release of Lot 7, the Plans and Specifications and the Project comply with zoning, such opinion to be in form satisfactory to Mortgagee and Mortgagee's Counsel for a release price of One Dollar, ("Release Price"). In addition to the Release Price, Mortgagor shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements and all title insurance premiums, recording fees, taxes and charges, incurred by Mortgagee in connection with the matters to be approved or performed herein. The Mortgagor shall execute and deliver (or shall have caused to be executed and delivered) to the Mortgagee all of the documents necessary, if any, to modify the Loan Documents.

IN WITNESS WHEREOF, this Mortgage has been duly executed by Mortgagor the day and year first above written.

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President

ACKNOWLEDGMENT

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014



First American Title Insurance Company

Title No. 3008-327413

SCHEDULE "A"

PARCEL 1

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;

1. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOT 1 & LOT 7, BLOCK 7920;

2. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 216.67 FEET TO A POINT, THENCE;

3. NORTH 18° - 59' - 57" EAST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;

4. NORTH 41° 29' 51" WEST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE; THE FOLLOWING FOURTEEN (14) COURSES ALONG THE LINE DIVIDING LOTS 1 AND 6, BLOCK 7920:

5. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;

6. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;

7. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

8. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;

9. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;

10. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;

11. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

12. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 20.75 FEET TO A POINT, THENCE;

13. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;

14. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 160.68 FEET TO A POINT, THENCE;

15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 36.67 FEET TO A POINT, THENCE;

16. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;

17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 54.50 FEET TO A POINT, THENCE;

'CONTINUED'



First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

18. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 18.50 FEET TO A POINT, THENCE;
19. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 50.89 FEET TO A POINT IN THE DIVIDING LINE BETWEEN SAID LOT 1 AND LOT 20, BLOCK 7920, THENCE; ALONG SAID DIVIDING LINE THE FOLLOWING SIX (6) COURSES:
 20. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 656.37 FEET TO A POINT, THENCE;
 21. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE;
 22. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;
 23. NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;
 24. NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;
 25. NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT ON THE DIVIDING LINE BETWEEN THE AFOREMENTIONED LOT 1, BLOCK 7920 AND LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 26. NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;
 27. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 614.80 FEET TO A POINT ON THE DIVIDING LINE OF AFOREMENTIONED LOT 1, BLOCK 7920 AND LOT 5, BLOCK 7920, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE:
 28. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 80.40 FEET TO A POINT, THENCE;
 29. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 105.20 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 30. ALONG THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 37.40 FEET TO A POINT IN THE DIVIDING LINE OF LOT 1 AND LOT 4, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE DIVIDING LINE:
 31. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 80.20 FEET TO A POINT, THENCE;
 32. SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 181.90 FEET TO A POINT, THENCE;
 33. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;
 34. ALONG THE WESTERLY LINE OF SAID REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 88.15 FEET TO A POINT, FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;
 35. ALONG THE WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 45.72 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 3, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:

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First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

36. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
37. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 93.90 FEET TO A POINT, THENCE;
38. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF AFOREMENTIONED AVENUE "D", THENCE;
39. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 36.50 FEET TO A POINT IN THE DIVIDING LINE BETWEEN LOT 1 AND LOT 2, BLOCK 7920, THENCE; THE FOLLOWING THREE (3) COURSES ALONG SAID DIVIDING LINE:
 40. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT, THENCE;
 41. SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO A POINT, THENCE;
 42. SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY LINE OF SAID AVENUE "D", THENCE;
43. ALONG THE WESTERLY LINE OF SAID AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 429.18 FEET TO A POINT, THENCE;
44. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 2

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT NORTH 12° - 50' - 49" EAST, A DISTANCE OF 429.19 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 2 AND LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH 12° - 50' - 49" EAST, A DISTANCE OF 106.10 FEET TO A POINT;
3. THENCE SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO A POINT ON THE WESTERLY SIDE OF AFOREMENTIONED AVENUE "D";

THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 106.10 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 3

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

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First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

BEGINNING AT A POINT ON THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), SAID POINT BEING DISTANT SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 45.72 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE WESTERLY LINE OF SAID AVENUE "D" SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 93.90 FEET TO A POINT;

THENCE THROUGH THE INTERIOR OF LOT 1, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. NORTH 77° - 09' - 11" WEST, A DISTANCE OF 73.20 FEET TO A POINT;
2. THENCE NORTH 12° - 50' - 49" EAST, A DISTANCE OF 93.90 FEET TO A POINT;
3. THENCE SOUTH 77° - 09' - 11" EAST, A DISTANCE OF 73.20 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 4

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH 41° - 30' - 00" WEST, A DISTANCE OF 88.14 FEET FROM A POINT FORMED BY THE INTERSECTION OF WESTERLY LINE OF AVENUE "D" (80 FEET WIDE) WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING THENCE ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 4, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

1. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 80.20 FEET TO A POINT;
2. THENCE NORTH 41° - 30' - 00" WEST, A DISTANCE OF 181.90 FEET TO A POINT;
3. THENCE NORTH 48° - 30' - 00" EAST, A DISTANCE OF 80.20 FEET TO A POINT ON THE AFOREMENTIONED WESTERLY LINE OF REMSEN AVENUE;

THENCE ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 181.90 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 5

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), SAID POINT BEING DISTANT NORTH 41° - 30' - 00" WEST, A DISTANCE OF 307.45 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 5 AND LOT 1, BLOCK 7920, THE FOLLOWING TWO (2) COURSES:

1. SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 105.20 FEET TO A POINT, THENCE;

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First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

11. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 9.35 FEET TO A POINT, THENCE;
12. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 179.46 FEET TO A POINT, THENCE;
13. NORTH 41° - 29' - 51" WEST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
14. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 42.00 FEET TO A POINT, THENCE;
15. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 14.35 FEET TO A POINT, THENCE;
16. NORTH 48° - 30' - 09" EAST, A DISTANCE OF 40.00 FEET TO A POINT, THENCE;
17. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 500.33 FEET TO A POINT, THENCE;
18. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 314.25 FEET TO THE POINT AND PLACE OF BEGINNING.

PARCEL 7

ALL THAT CERTAIN PLOT, PIECE OR PARCEL OF LAND, SITUATE, LYING AND BEING IN THE BOROUGH OF BROOKLYN, CITY OF NEW YORK, COUNTY OF KINGS AND STATE OF NEW YORK, MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE LINE DIVIDING LOTS 1 & 7, AND LOT 20 BLOCK 7920, SAID POINT BEING MEASURED THE FOLLOWING TWO (2) COURSES FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET:

- A. NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET ALONG THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE) TO A POINT, THENCE;
- B. ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 153.14 FEET TO THE POINT AND PLACE OF BEGINNING AND FROM SAID POINT OF BEGINNING RUNNING, THENCE;
 1. ALONG THE DIVIDING LINE BETWEEN LOT 7 AND LOT 20, BLOCK 7920, NORTH 41° - 30' - 00" WEST, A DISTANCE OF 65.58 FEET TO A POINT, THENCE;
 2. ALONG THE DIVIDING LINE BETWEEN LOT 6 AND LOT 7, BLOCK 7920, NORTH 48° - 30' - 09" EAST, A DISTANCE OF 314.25 FEET TO A POINT, THENCE; THE FOLLOWING THREE (3) COURSES ALONG THE LINE DIVIDING LOTS 7 AND 1, BLOCK 7920:
 3. SOUTH 41° - 29' - 51" EAST, A DISTANCE OF 10.36 FEET TO A POINT, THENCE;
 4. SOUTH 18° - 59' - 57" WEST, A DISTANCE OF 112.12 FEET TO A POINT, THENCE;
 5. SOUTH 48° - 30' - 09" WEST, A DISTANCE OF 216.67 FEET TO THE POINT AND PLACE OF BEGINNING.

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First American Title Insurance Company

TITLE NO. 3008-327413
SCHEDULE "A" CONTINUED

PERIMETER DESCRIPTION OF PARCELS 1, 2, 3, 4, 5, 6 AND 7

BEGINNING AT A POINT ON THE NORTHERLY LINE OF FOSTER AVENUE (180 FEET WIDE), SAID POINT BEING DISTANT NORTH 48° - 30' - 00" EAST, A DISTANCE OF 1,057.00 FEET FROM A POINT FORMED BY THE INTERSECTION OF SAID NORTHERLY LINE OF FOSTER AVENUE WITH THE EASTERLY LINE OF EAST 83RD STREET (63 FEET WIDE) AND FROM SAID POINT OF BEGINNING RUNNING, THENCE; ALONG THE DIVIDING LINE BETWEEN LOT 1 AND LOT 20, BLOCK 7920, THE FOLLOWING THREE (3) COURSES:

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 577.00 FEET TO A POINT, THENCE;

SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 785.00 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 83.27 FEET TO A POINT, THENCE; THE FOLLOWING TWO (2) COURSES ALONG SAID DIVIDING LINE BETWEEN LOT 1, BLOCK 7920 AND THE LANDS NOW OR FORMERLY OF THE LONG ISLAND RAILROAD:

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 134.00 FEET TO A POINT, THENCE;

NORTH 48° - 01' - 35" WEST, A DISTANCE OF 20.00 FEET TO A POINT, THENCE;

NORTH 41° - 58' - 25" EAST, A DISTANCE OF 119.92 FEET TO A POINT, THENCE;

NORTH 41° - 30' - 00" WEST, A DISTANCE OF 39.70 FEET TO A POINT, THENCE;

NORTH 42° - 45' - 26" EAST, A DISTANCE OF 537.70 FEET TO A POINT, THENCE;

NORTH 48° - 30' - 00" EAST, A DISTANCE OF 720.00 FEET TO A POINT ON THE WESTERLY LINE OF REMSEN AVENUE (100 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF REMSEN AVENUE, SOUTH 41° - 30' - 00" EAST, A DISTANCE OF 387.85 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF REMSEN AVENUE WITH THE WESTERLY LINE OF AVENUE "D" (80 FEET WIDE), THENCE;

ALONG SAID WESTERLY LINE OF AVENUE "D", SOUTH 12° - 50' - 49" WEST, A DISTANCE OF 711.40 FEET TO A POINT FORMED BY THE INTERSECTION OF SAID WESTERLY LINE OF AVENUE "D" WITH THE AFOREMENTIONED NORTHERLY LINE OF FOSTER AVENUE, THENCE;

ALONG SAID NORTHERLY LINE OF FOSTER AVENUE, SOUTH 48° - 30' - 00" WEST, A DISTANCE OF 141.95 FEET TO THE POINT AND PLACE OF BEGINNING.

THE policy to be issued under this report will insure the title to such buildings and improvements erected on the premises, which by law constitute real property.

FOR CONVEYANCING ONLY: TOGETHER with all the right, title and interest of the party of the first part, of in and to the land lying in the street in front of and adjoining said premises.



MORTGAGE NOTE
New York

January 19, 2011 \$3,645,833.00

BORROWER (Name): CANARSIE PLAZA LLC
(Organizational Structure): limited liability company
(State Law organized under): Delaware
(Address of chief executive office): c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

LENDER: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation with its banking offices at One M&T Plaza, Buffalo, New York 14203 Attn: Office of the General Counsel ("M&T") individually as a lender and as the administrative agent for itself and **Capital One, N.A.**, as a lender (the "**Co-Lender**" and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group (the "**Lender**").

Definitions. The following terms shall have the indicated meanings in this Note, capitalized terms used herein but not otherwise defined herein shall have their respective meanings ascribed to them in the Loan Agreement:

1. "Building Loan Agreement" shall mean the building loan agreement between Borrower and the Lender dated January 12, 2010, as supplemented by the supplemental building loan agreement, dated as of the date hereof and as the same may be further supplemented, amended, modified or replaced from time to time in connection with the construction and mortgage financing of real property described in the Mortgage.
2. "Escrow" shall mean any escrow requirement under the Mortgage or the Loan Agreement for the payment of taxes and/or other charges.
3. "First Payment Date" shall mean the first day of February, 2011.
4. "Loan Agreement" shall mean the loan agreement between Borrower and the Lender dated the date hereof in connection with the mortgage financing of real property described in the Mortgage, as the same may be amended, modified or replaced from time to time.
5. "Loan Documents" shall mean this Note, the Loan Agreement, the Building Loan Agreement, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Lender in connection with this Note, the Loan Agreement or the Building Loan Agreement.
6. "Maturity Date" is the earlier of (i) January 12, 2012; or (ii) any earlier date on which this Note is required to be paid in full, by acceleration or otherwise, under the Loan Agreement or any of the other Loan Documents.
7. "Mortgage" shall mean the third mortgage dated on or about the date of this Note executed by Borrower, as the same may be amended, modified or replaced from time to time, securing obligations arising pursuant to or in connection with this Note.
8. "Principal Sum" shall mean Three Million Six Hundred Forty Five Thousand Eight Hundred Thirty Three Dollars (\$3,645,833.00).

Promise to Pay. For value received, and intending to be legally bound, the undersigned Borrower promises to pay to the order of M&T at its office identified above in lawful money of the United States and in immediately available funds, the Principal Sum or so much thereof as may be advanced, plus interest on the unpaid portion of the Principal Sum, all amounts, if any, required for the Escrow, and all Expenses (defined below).

Interest. The unpaid Principal Sum advanced to Borrower under this Note shall accrue interest each day from and including the date proceeds of this Note are advanced to, but not including, the date all amounts hereunder are paid in full, at a variable per annum rate that shall be equal to the LIBOR Rate, as defined in the Rider, **provided, however that**, at any time from the date that is forty-five (45) days before the Maturity Date until the Maturity Date, the Borrower may select the Base Rate, as defined in the Rider, by notifying Lender in writing of its selection, **provided, further that**, the Borrower may not choose the LIBOR Rate if any loan at the LIBOR Rate would extend beyond the Maturity Date. **The definition of LIBOR, LIBOR Rate, adjustments to the LIBOR Rate and other provisions relative thereto are contained on the Rider attached hereto and made a part of this Note.**

Interest will be calculated on the basis of a 360-day year consisting of twelve (12) months with the actual number of days of each month (28, 29, 30 or 31).

Maximum Legal Rate. It is the intent of the Lender and Borrower that in no event shall such interest be payable at a rate in excess of the maximum rate permitted by applicable law (the "Maximum Legal Rate"). Solely to the extent necessary to prevent interest under this Note from exceeding the Maximum Legal Rate, Borrower agrees that any amount that would be treated as excessive under a final judicial interpretation of applicable law shall be deemed to have been a mistake and automatically canceled and if received by the Lender shall be refunded to Borrower, without interest.

Default Rate. Upon an Event of Default under any of the Loan Documents or immediately after maturity (whether due to the Maturity Date, by acceleration or otherwise) and continuing through a foreclosure sale, if any, until such time as title is transferred pursuant to such foreclosure sale, the interest rate on the unpaid Principal Sum shall be increased to a **rate per annum of twenty-four percent (24%)** (the "Default Rate"). Any judgment entered hereon or otherwise in connection with any suit to collect amounts due hereunder shall bear interest at such Default Rate. No failure to impose or delay in imposing the Default Rate shall be construed as a waiver by the Lender of its right to collect, and Borrower's obligation to pay, interest at the Default Rate effective as of the date of maturity (whether due to the Maturity Date, by acceleration or otherwise).

Repayment of Principal and Interest. Borrower shall pay the Principal Sum and interest owing pursuant to this Note to the Lender as follows:

- (i) Borrower shall pay accrued interest to Lender on the First Payment Date and on the first Business Day of each month thereafter to, but not including, the Maturity Date; and
- (ii) On the Maturity Date, Borrower shall pay the outstanding Principal Sum and all accrued and unpaid interest, premiums, Expenses and all other amounts owing pursuant to this Note and the Loan Documents and remaining unpaid.

Late Charge. If Borrower fails to pay, within five (5) days of its due date, any amount due and owing pursuant to this Note or the Loan Documents, including, without limitation, any Escrow payment due and owing, Borrower shall immediately pay to the Lender a late charge equal to five percent (5%) of the delinquent amount (the "Late Fee"); provided, however, if Borrower has timely satisfied all conditions for an interest advance under the Loan Documents and there is sufficient availability under the construction budget and under the Loan to make a requested interest advance and Lender fails to make such an advance for any reason not within the control of Borrower, then a Late Fee shall not accrue with respect to such Interest payment.

Application of Payments. Payments may be applied in any order at the sole discretion of the Lender, but prior to an Event of Default or Maturity Date, each payment pursuant to this Note shall be applied first to accrued and unpaid interest, next to principal due, next to the Escrow, next to late charges, and finally to Expenses, notwithstanding the foregoing in the sole discretion of the Lending Group, any partial payments may be applied to the payment of the Loan and/or the Mortgage Loan as such terms are defined in the Building Loan Agreement.

Prepayment. Except to the extent provided in the paragraph entitled "Exit Fee" otherwise provided herein, Borrower shall have the option of paying the Principal Sum to the Lender in advance of the Maturity Date, in whole or in part, at any time and from time to time upon written notice received by the Lender at least thirty (30) days prior to making such payment; provided, however, that together with such prepayment, Borrower shall pay to the Lender the Breakage Fee set forth on the Rider, attached to and made a part of this Note by reference. Upon making any prepayment of the Principal Sum in whole, Borrower shall pay to the Lender all interest and Expenses owing pursuant to this Note or the Loan Documents and remaining unpaid. Any partial payment of the Principal Sum shall be applied in inverse order of maturity. In the event the Maturity Date of this Note is accelerated following an Event of Default, any tender of payment of the amount necessary to satisfy the entire indebtedness made after such Event of Default shall be expressly deemed a voluntary prepayment. In such a case, to the extent permitted by law, the Lender shall be entitled to the amount necessary to satisfy the entire indebtedness, plus the Breakage Fee.

Exit Fee. Borrower shall pay to the Lender, at the time of repayment of the Principal Sum, whether at the Maturity Date or otherwise, an "Exit Fee" equal to one-quarter of one percent (.25%) of the Principal Sum repaid; provided, however, that such Exit Fee shall be waived if:

(a) the Principal Sum is refinanced with the Lending Group; or

(b) Borrower elects to refinance the Principal Sum with a qualified third-party lender, provided:

(i) Borrower has first provided the Lending Group with written notice that it has initiated discussions with a third-party lender; and

(ii) Borrower has provided Lending Group with a copy of a bona fide proposal for financing from such third-party lender. Such proposal shall be deemed to have been submitted to the Lending Group no earlier than ten (10) Business Days after the date of such notice provided for in item (i) above; and

(iii) The Lending Group does not provide a refinancing proposal within twenty-one (21) Business Days of receipt of the third-party proposal that is substantially similar with respect to amount of loan proceeds, term, level of recourse, if any, interest rate and fees.

Borrower acknowledges and agrees that any breach of its obligations hereunder shall constitute an Event of Default under this Note.

Business Purpose. This Note is being given by Borrower to the Lender in connection with the construction and mortgage financing of real property described in Mortgage and Borrower represents and warrants that the indebtedness evidenced by this Note is for a business purpose.

Events of Default; Acceleration. This Note is issued pursuant to the Loan Agreement and is secured by the Mortgage, and the Lender is entitled to the benefits thereof. Any Event of Default (as defined in the Mortgage, the Loan Agreement or the Building Loan Agreement) is an "Event of Default" under this Note, including, without limitation, Borrower's breach of any obligations hereunder. The maturity of this Note shall be accelerated and all amounts under this Note shall become immediately due and payable without any notice, demand, presentment or protest of any kind (each of which is waived by Borrower) (a) automatically, if Borrower or Mortgagor commences any bankruptcy or insolvency proceeding, if voluntary, or upon the lapse of sixty (60) days without dismissal thereof, if involuntary; (b) at the sole option of the Lender, upon or at any time or from time to time after the existence of an Event of Default; and (c) upon the Maturity Date. After maturity (whether due to the Maturity Date, by acceleration or otherwise), interest on the outstanding Principal Sum shall accrue at the Default Rate and the Lender's acceptance of any partial payment of the outstanding Principal Sum and/or payment of accrued interest shall not affect that all amounts under this Note are due and payable in full.

Expenses. Borrower shall pay to the Lender and to Co-Lender on demand each reasonable cost and expense (including, but not limited to, the reasonable fees and disbursements of counsel to the Lender and to Co-Lender, whether internal or external and whether retained for advice, for litigation or for any other purpose) incurred by the Lender, the Co-Lender or their respective agents either directly or indirectly in connection with this Note including, without limitation, endeavoring to (1) collect any amount owing pursuant to this Note or negotiate or document a workout or restructuring; (2) enforce or realize upon any guaranty, endorsement or other assurance, any collateral or other security, or any subordination, directly or indirectly securing or otherwise directly or indirectly applicable in any such amount; or (3) preserve or exercise any right or remedy of the Lender and the Co-Lender pursuant to this Note (the "Expenses").

Right of Setoff. The Lender and the Co-Lender shall have the right to set off against the amounts owing under this Note any property held in a deposit or other account with the Lender or the Co-Lender or otherwise owing by the Lender or the Co-Lender in any capacity to Borrower or any endorser of this Note. Such set-off shall be deemed to have been exercised immediately at the time the Lender, the Co-Lender or such affiliate elects to do so.

Miscellaneous. This Note and any other document required to be executed by Borrower or any guarantor or other party in connection with the transaction contemplated hereby constitute the entire agreement and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transactions. All rights and remedies of the Lender under applicable law, the Mortgage, the Loan Agreement, this Note or any document in connection with the transaction contemplated hereby or amendment thereof are cumulative and not exclusive. No single, partial or delayed exercise by the Lender of any right or remedy shall preclude the subsequent exercise by the Lender at any time of any right or remedy of the Lender without notice. No waiver or amendment of any provision of this Note shall be effective unless made specifically in writing by the Lender. No course of dealing or other conduct, no oral agreement or representation made by the Lender, and no usage of trade, shall operate as a waiver of any right or remedy of the Lender. Borrower agrees that in any legal proceeding, a copy of this Note kept in the Lender's course of business may be admitted into evidence as an original. This Note is a binding obligation enforceable against Borrower and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns. If a court deems any provision of this Note invalid, the remainder of the Note shall remain in effect. Section headings are for convenience only. Singular number includes plural and neuter gender includes masculine and feminine as appropriate.

Time is of the essence as to all dates set forth herein, provided, however, that whenever performance hereunder would be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under applicable federal law and, if no applicable federal law exists, then the applicable state law (any other day being a "Business Day"), such performance shall be made on the next succeeding Business Day.

Notices. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Borrower or to the Lender, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this section). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) Business Days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) Business Day after delivery to a nationally recognized overnight courier service (*e.g.*, Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Borrower and the Lender.

Lender: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: Office of General Counsel

with a copy to: DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and
Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Borrower: c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605
Attention: Robert Masters, Esq.

Joint and Several. If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts and obligations which become due under this Note and the term "Borrower" shall include each as well as all of them.

Governing Law; Jurisdiction. This Note has been delivered to and accepted by the Lender and will be deemed to be made in the State of New York. Except as otherwise provided under federal law, this Note will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **BORROWER AND LENDER HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK IN NEW YORK OR WESTCHESTER COUNTY, AND CONSENTS THAT THE LENDER MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS NOTE WILL PREVENT THE LENDER FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Lender and Borrower. Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

Waiver of Jury Trial. **BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY BORROWER AND THE LENDER MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS NOTE OR THE TRANSACTIONS RELATED HERETO. BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE LENDER WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT THE LENDER HAS BEEN INDUCED TO ENTER INTO THIS NOTE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

Recourse Liability. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "**Exculpated Party**") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Lender and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Lender or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this paragraph shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees). Notwithstanding the foregoing provisions of this paragraph, each Exculpated Party shall be personally (and on a full recourse basis) liable for and shall indemnify and defend Lender and the Lending Group from and against, and shall hold Lender and the Lending Group harmless of, from and against any deficiency, liability, loss, damage, costs, and expenses (including legal fees and disbursements) suffered by Lender and/or the Lending Group and caused by, or arising out of or as a result of any of the following: (i) such Person's commission of a criminal act, (ii) such Person's failure to comply with the provisions of the Loan Documents prohibiting a transfer or Change of Control; (iii) such Person's misappropriation of any cash flow or other revenue derived from or in respect of the Project, including security deposits, insurance proceeds, condemnation awards, or any rental, sales or other income derived directly or indirectly from the Project, or the misapplication of any of the foregoing sums, in either event, in contravention of any provision of the Mortgage or the other Loan Documents; (iv) such Person's fraud or misrepresentation or inaccurate certification made at any time in connection with the Loan Documents or the Indebtedness; (v) such Person's intentional interference with Lender's (or the Lending Groups') exercise of its rights under any of the Loan Documents; (vi) such Person's intentional destruction or removal of fixtures or personal property securing the Obligations unless replaced by items of equal value and utility; (vii) such Person's misapplication or misappropriation of funds disbursed from the Project Fund; (viii) such Person's commissions of intentional waste to or of the Project or any portion thereof or failure to maintain the Project and the Premises in the manner required by the Loan Documents; (ix) failure to maintain the insurance coverage required by the Loan Documents; (x) failure to pay taxes, assessments and any other charges, including, without limitation, charges for labor or materials, which could result in prior liens against any portion of the Project; (xi) willful misconduct; (xii) Borrower files a voluntary petition under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiii) such Person files or joins in the filing of, or solicits or acts in concert with, or colludes or conspires with petitioning creditors with respect to, an involuntary petition against Borrower under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiv) Borrower files an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xv) such Person consents to or acquiesces in or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any portion of the Project; or (xvi) Borrower makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due.

Preauthorized Transfers from Deposit Account. If a deposit account number is provided in the following blank Borrower hereby authorizes the Lender to debit Borrower's deposit account #_____ with the Lender automatically for any amount which becomes due under this Note.

Acknowledgment. Borrower acknowledges that it has read and understands all the provisions of this Note, including the **Governing Law, Jurisdiction and Waiver of Jury Trial**, and has been advised by counsel as necessary or appropriate.

BORROWER

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President

STATE OF NEW YORK

)

: ss.

COUNTY OF WESTCHESTER

)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones

Notary Public

Debra Leibler-Jones

Notary Public No. 01LE6005994

Qualified in Dutchess County, New York

Commission Expires 04/20/2014

FOR INTERNAL USE ONLY

Authorization Confirmed: _____

**RIDER TO
MORTGAGE NOTE
(LIBOR Rider)**

Borrower: Canarsie Plaza LLC
Mortgage Note Original Principal Amount: \$3,645,833.00
Mortgage Note Date: January 19, 2011

Definitions. As used in this Rider, each capitalized term shall have the meaning specified in the Note and the following terms shall have the indicated meanings:

- 1) **“Adjustment Date”** shall be the first calendar day of each month.
- 2) **“Applicable Interest Rate”** shall mean either the LIBOR Rate or the Base Rate, as the case may be.
- 3) **“Base Month”** shall mean the first month following the month in which the Note Set Date occurs. For example, if the Note Set Date is March 10, then the “Base Month” would be April.
- 4) **“Base Rate”** shall be equal to the greater of (a) the rate of interest announced by the Lender as its prime rate of interest in effect on the first day of each calendar month, plus one (1) percentage point or (b) an interest rate floor of 6.50% (the **“Interest Rate Floor”**).
- 5) **“Joint Business Day”** shall mean any day of the year on which banking institutions in New York, New York are not authorized or required by law or other governmental action to close and, in connection with the LIBOR Rate, on which dealings are carried on in the London Interbank market.
- 6) **“LIBOR”** means the rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) obtained by dividing (i) the one month interest period London Interbank Offered Rate for United States dollar deposits in the London interbank market at approximately 11:00 a.m. London, England time (or as soon thereafter as practicable), as determined by the Lender from any broker, quoting service or commonly available source utilized by the Lender or its agents, by (ii) a percentage equal to 100% minus the stated maximum rate of all reserves required to be maintained against “Eurocurrency Liabilities” as specified in Regulation D (or against any other category of liabilities which includes deposits by reference to which the interest rate on any loan bearing interest at a LIBOR Rate is determined, or any category of extensions of credit or other assets which includes loans by a non-United States office of a bank to United States residents) on such date to any member bank of the Federal Reserve System. Notwithstanding any provision above, the practice of rounding to determine LIBOR may be discontinued at any time in the Lender’s sole discretion.
- 7) **“LIBOR Rate”** shall mean the greater of (a) 4.00% percentage points above LIBOR or (b) the Interest Rate Floor.
- 8) **“Note Set Date”** shall mean the date the first advance is made to Borrower.

LIBOR Rate Adjustments. The LIBOR Rate shall be initially based on one month LIBOR in effect two (2) Joint Business Days before the Note Set Date, then adjusted on the first calendar day of the Base Month using the LIBOR in effect two (2) Joint Business Days prior to that first calendar day of the Base Month. Thereafter, the LIBOR rate shall be adjusted on the Adjustment Date based on the applicable LIBOR in effect two (2) Joint Business Days prior to the respective Adjustment Date.

Inability to Determine LIBOR Rates. If the Lender shall determine that for any reason adequate and reasonable means do not exist for ascertaining LIBOR with respect to this Note, the Lender will give notice of such determination to Borrower. Upon such determination and notice, the Lender may convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate. Thereafter, the Lender may not maintain the Applicable Rate at the LIBOR Rate hereunder until the Lender revokes such notice in writing.

Increased Cost. If the Lender shall determine that due to either (a) the introduction of any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of LIBOR) in or in the interpretation of any requirement of law, or (b) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to the Lender of agreeing to make or making, funding or maintaining any loan at the LIBOR Rate, Borrower shall be liable for, and shall from time to time, upon demand therefor by the Lender, pay to the Lender such additional amounts as are sufficient to compensate the Lender for such increased costs.

Illegality. If the Lender shall determine that the introduction of any law (statutory or common), treaty, rule, regulation, guideline or determination of an arbitrator or of a governmental authority or in the interpretation or administration thereof, has made it unlawful, or that any central bank or other governmental authority has asserted that it is unlawful for the Lender to make a loan at the LIBOR Rate then, on notice thereof by the Lender to Borrower, the Lender may suspend maintaining this loan at the LIBOR Rate until the Lender shall have notified Borrower that the circumstances giving rise to such determination shall no longer exist and the Lender may convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate.

Conversion. The Lender may, in its sole discretion, convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate upon the occurrence of an Event of Default. The Applicable Rate shall automatically convert from the LIBOR Rate to the Base Rate on the date Borrower commences, or has commenced against it, any proceeding or request for relief under any bankruptcy, insolvency or similar laws now or hereafter in effect in the United States of America or any state or territory thereof or any foreign jurisdiction or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Borrower.

Default Rate. Notwithstanding anything to the contrary in the Note, the default rate of interest that the Lender may charge under the Note shall be **at a rate per annum of twenty-four percent (24%)**. Nothing herein shall be construed to be a waiver by the Lender to have any Loan accrue interest at the default rate or other rights of the Lender set forth in this Note.

Prepayment. If Borrower prepays any principal amount (in whole or in part) when the Applicable Rate is the LIBOR Rate on or as of any day other than the last day of the selected interest period (other than regular installments of principal as set forth in the Note), or there is a conversion from the LIBOR Rate to the Base Rate, pursuant to the terms of this Note, on or as of any day other than the last day of the selected interest period, then Borrower shall be liable for and shall pay the Lender, on demand, an amount (the **"Breakage Fee"**) equal the actual amount of the liabilities, expenses, costs and/or funding losses that are a direct or indirect result of such prepayment, conversion or other condition described herein, including, without limitation, any liability, expense, cost (including administrative cost) or loss derived from liquidating or employing deposits acquired to fund or maintain the applicable loan through the end of the applicable interest period. The Lender's calculation of any Breakage Fee shall, in the absence of manifest error, be conclusive and binding upon Borrower. Borrower acknowledges and understands that, upon demand for payment or acceleration of maturity (as applicable) of all indebtedness under this Note, any tender of payment made thereafter shall be deemed a voluntary prepayment and, to the extent permitted by law, Borrower shall pay to the Lender the appropriate Breakage Fee in connection therewith.

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President



MORTGAGE NOTE
New York

January 19, 2011 \$3,354,167.00

BORROWER (Name): CANARSIE PLAZA LLC
(Organizational Structure): limited liability company
(State Law organized under): Delaware
(Address of chief executive office): c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605

LENDER: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation with its banking offices at One M&T Plaza, Buffalo, New York 14203 Attn: Office of the General Counsel ("M&T") individually as a lender and as the administrative agent for itself and **Capital One, N.A.**, as a lender (the "**Co-Lender**" and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group (the "**Lender**").

Definitions. The following terms shall have the indicated meanings in this Note, capitalized terms used herein but not otherwise defined herein shall have their respective meanings ascribed to them in the Loan Agreement:

1. "Building Loan Agreement" shall mean the building loan agreement between Borrower and the Lender dated January 12, 2010, as supplemented by the supplemental building loan agreement, dated as of the date hereof and as the same may be further supplemented, amended, modified or replaced from time to time in connection with the construction and mortgage financing of real property described in the Mortgage.
2. "Escrow" shall mean any escrow requirement under the Mortgage or the Loan Agreement for the payment of taxes and/or other charges.
3. "First Payment Date" shall mean the first day of February, 2011.
4. "Loan Agreement" shall mean the loan agreement between Borrower and the Lender dated the date hereof in connection with the mortgage financing of real property described in the Mortgage, as the same may be amended, modified or replaced from time to time.
5. "Loan Documents" shall mean this Note, the Loan Agreement, the Building Loan Agreement, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Lender in connection with this Note, the Loan Agreement or the Building Loan Agreement.
6. "Maturity Date" is the earlier of (i) January 12, 2012; or (ii) any earlier date on which this Note is required to be paid in full, by acceleration or otherwise, under the Loan Agreement or any of the other Loan Documents.
7. "Mortgage" shall mean the third mortgage dated on or about the date of this Note executed by Borrower, as the same may be amended, modified or replaced from time to time, securing obligations arising pursuant to or in connection with this Note.
8. "Principal Sum" shall mean Three Million Three Hundred Fifty Four Thousand One Hundred Sixty Seven Dollars (\$3,354,167.00).

Promise to Pay. For value received, and intending to be legally bound, the undersigned Borrower promises to pay to the order of Co-Lender at Capital One, N.A., Commercial Real Estate, 275, Broadhollow Road, P.O. Box 8914, Melville, NY 11747, Attention: Peter A. Welch, Senior Vice President in lawful money of the United States and in immediately available funds, the Principal Sum or so much thereof as may be advanced, plus interest on the unpaid portion of the Principal Sum, all amounts, if any, required for the Escrow, and all Expenses (defined below).

Interest. The unpaid Principal Sum advanced to Borrower under this Note shall accrue interest each day from and including the date proceeds of this Note are advanced to, but not including, the date all amounts hereunder are paid in full, at a variable per annum rate that shall be equal to the LIBOR Rate, as defined in the Rider, **provided, however that**, at any time from the date that is forty-five (45) days before the Maturity Date until the Maturity Date, the Borrower may select the Base Rate, as defined in the Rider, by notifying Lender in writing of its selection, **provided, further that**, the Borrower may not choose the LIBOR Rate if any loan at the LIBOR Rate would extend beyond the Maturity Date. **The definition of LIBOR, LIBOR Rate, adjustments to the LIBOR Rate and other provisions relative thereto are contained on the Rider attached hereto and made a part of this Note.**

Interest will be calculated on the basis of a 360-day year consisting of twelve (12) months with the actual number of days of each month (28, 29, 30 or 31).

Maximum Legal Rate. It is the intent of the Lender and Borrower that in no event shall such interest be payable at a rate in excess of the maximum rate permitted by applicable law (the "Maximum Legal Rate"). Solely to the extent necessary to prevent interest under this Note from exceeding the Maximum Legal Rate, Borrower agrees that any amount that would be treated as excessive under a final judicial interpretation of applicable law shall be deemed to have been a mistake and automatically canceled and if received by the Lender shall be refunded to Borrower, without interest.

Default Rate. Upon an Event of Default under any of the Loan Documents or immediately after maturity (whether due to the Maturity Date, by acceleration or otherwise) and continuing through a foreclosure sale, if any, until such time as title is transferred pursuant to such foreclosure sale, the interest rate on the unpaid Principal Sum shall be increased to a **rate per annum of twenty-four percent (24%)** (the "Default Rate"). Any judgment entered hereon or otherwise in connection with any suit to collect amounts due hereunder shall bear interest at such Default Rate. No failure to impose or delay in imposing the Default Rate shall be construed as a waiver by the Lender of its right to collect, and Borrower's obligation to pay, interest at the Default Rate effective as of the date of maturity (whether due to the Maturity Date, by acceleration or otherwise).

Repayment of Principal and Interest. Borrower shall pay the Principal Sum and interest owing pursuant to this Note to the Lender as follows:

- (i) Borrower shall pay accrued interest to Lender on the First Payment Date and on the first Business Day of each month thereafter to, but not including, the Maturity Date; and
- (ii) On the Maturity Date, Borrower shall pay the outstanding Principal Sum and all accrued and unpaid interest, premiums, Expenses and all other amounts owing pursuant to this Note and the Loan Documents and remaining unpaid.

Late Charge. If Borrower fails to pay, within five (5) days of its due date, any amount due and owing pursuant to this Note or the Loan Documents, including, without limitation, any Escrow payment due and owing, Borrower shall immediately pay to the Lender a late charge equal to five percent (5%) of the delinquent amount (the "Late Fee"); provided, however, if Borrower has timely satisfied all conditions for an interest advance under the Loan Documents and there is sufficient availability under the construction budget and under the Loan to make a requested interest advance and Lender fails to make such an advance for any reason not within the control of Borrower, then a Late Fee shall not accrue with respect to such Interest payment.

Application of Payments. Payments may be applied in any order at the sole discretion of the Lender, but prior to an Event of Default or Maturity Date, each payment pursuant to this Note shall be applied first to accrued and unpaid interest, next to principal due, next to the Escrow, next to late charges, and finally to Expenses, notwithstanding the foregoing in the sole discretion of the Lending Group, any partial payments may be applied to the payment of the Loan and/or the Mortgage Loan as such terms are defined in the Building Loan Agreement.

Prepayment. Except to the extent provided in the paragraph entitled "Exit Fee" otherwise provided herein, Borrower shall have the option of paying the Principal Sum to the Lender in advance of the Maturity Date, in whole or in part, at any time and from time to time upon written notice received by the Lender at least thirty (30) days prior to making such payment; provided, however, that together with such prepayment, Borrower shall pay to the Lender the Breakage Fee set forth on the Rider, attached to and made a part of this Note by reference. Upon making any prepayment of the Principal Sum in whole, Borrower shall pay to the Lender all interest and Expenses owing pursuant to this Note or the Loan Documents and remaining unpaid. Any partial payment of the Principal Sum shall be applied in inverse order of maturity. In the event the Maturity Date of this Note is accelerated following an Event of Default, any tender of payment of the amount necessary to satisfy the entire indebtedness made after such Event of Default shall be expressly deemed a voluntary prepayment. In such a case, to the extent permitted by law, the Lender shall be entitled to the amount necessary to satisfy the entire indebtedness, plus the Breakage Fee.

Exit Fee. Borrower shall pay to the Lender, at the time of repayment of the Principal Sum, whether at the Maturity Date or otherwise, an "Exit Fee" equal to one-quarter of one percent (.25%) of the Principal Sum repaid; provided, however, that such Exit Fee shall be waived if:

(a) the Principal Sum is refinanced with the Lending Group; or

(b) Borrower elects to refinance the Principal Sum with a qualified third-party lender, provided:

(i) Borrower has first provided the Lending Group with written notice that it has initiated discussions with a third-party lender; and

(ii) Borrower has provided Lending Group with a copy of a bona fide proposal for financing from such third-party lender. Such proposal shall be deemed to have been submitted to the Lending Group no earlier than ten (10) Business Days after the date of such notice provided for in item (i) above; and

(iii) The Lending Group does not provide a refinancing proposal within twenty-one (21) Business Days of receipt of the third-party proposal that is substantially similar with respect to amount of loan proceeds, term, level of recourse, if any, interest rate and fees.

Borrower acknowledges and agrees that any breach of its obligations hereunder shall constitute an Event of Default under this Note.

Business Purpose. This Note is being given by Borrower to the Lender in connection with the construction and mortgage financing of real property described in Mortgage and Borrower represents and warrants that the indebtedness evidenced by this Note is for a business purpose.

Events of Default; Acceleration. This Note is issued pursuant to the Loan Agreement and is secured by the Mortgage, and the Lender is entitled to the benefits thereof. Any Event of Default (as defined in the Mortgage, the Loan Agreement or the Building Loan Agreement) is an "Event of Default" under this Note, including, without limitation, Borrower's breach of any obligations hereunder. The maturity of this Note shall be accelerated and all amounts under this Note shall become immediately due and payable without any notice, demand, presentment or protest of any kind (each of which is waived by Borrower) (a) automatically, if Borrower or Mortgagor commences any bankruptcy or insolvency proceeding, if voluntary, or upon the lapse of sixty (60) days without dismissal thereof, if involuntary; (b) at the sole option of the Lender, upon or at any time or from time to time after the existence of an Event of Default; and (c) upon the Maturity Date. After maturity (whether due to the Maturity Date, by acceleration or otherwise), interest on the outstanding Principal Sum shall accrue at the Default Rate and the Lender's acceptance of any partial payment of the outstanding Principal Sum and/or payment of accrued interest shall not affect that all amounts under this Note are due and payable in full.

Expenses. Borrower shall pay to the Lender and to Co-Lender on demand each reasonable cost and expense (including, but not limited to, the reasonable fees and disbursements of counsel to the Lender and to Co-Lender, whether internal or external and whether retained for advice, for litigation or for any other purpose) incurred by the Lender, the Co-Lender or their respective agents either directly or indirectly in connection with this Note including, without limitation, endeavoring to (1) collect any amount owing pursuant to this Note or negotiate or document a workout or restructuring; (2) enforce or realize upon any guaranty, endorsement or other assurance, any collateral or other security, or any subordination, directly or indirectly securing or otherwise directly or indirectly applicable in any such amount; or (3) preserve or exercise any right or remedy of the Lender and the Co-Lender pursuant to this Note (the "Expenses").

Right of Setoff. The Lender and the Co-Lender shall have the right to set off against the amounts owing under this Note any property held in a deposit or other account with the Lender or the Co-Lender or otherwise owing by the Lender or the Co-Lender in any capacity to Borrower or any endorser of this Note. Such set-off shall be deemed to have been exercised immediately at the time the Lender, the Co-Lender or such affiliate elects to do so.

Miscellaneous. This Note and any other document required to be executed by Borrower or any guarantor or other party in connection with the transaction contemplated hereby constitute the entire agreement and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transactions. All rights and remedies of the Lender under applicable law, the Mortgage, the Loan Agreement, this Note or any document in connection with the transaction contemplated hereby or amendment thereof are cumulative and not exclusive. No single, partial or delayed exercise by the Lender of any right or remedy shall preclude the subsequent exercise by the Lender at any time of any right or remedy of the Lender without notice. No waiver or amendment of any provision of this Note shall be effective unless made specifically in writing by the Lender. No course of dealing or other conduct, no oral agreement or representation made by the Lender, and no usage of trade, shall operate as a waiver of any right or remedy of the Lender. Borrower agrees that in any legal proceeding, a copy of this Note kept in the Lender's course of business may be admitted into evidence as an original. This Note is a binding obligation enforceable against Borrower and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns. If a court deems any provision of this Note invalid, the remainder of the Note shall remain in effect. Section headings are for convenience only. Singular number includes plural and neuter gender includes masculine and feminine as appropriate.

Time is of the essence as to all dates set forth herein, provided, however, that whenever performance hereunder would be due on a Saturday, Sunday or public holiday or the equivalent for banks generally under applicable federal law and, if no applicable federal law exists, then the applicable state law (any other day being a "Business Day"), such performance shall be made on the next succeeding Business Day.

Notices. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Borrower or to the Lender, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this section). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) Business Days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) Business Day after delivery to a nationally recognized overnight courier service (*e.g.*, Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Borrower and the Lender.

Lender: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention: Office of General Counsel

with a copy (which shall not constitute notice) to:
DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
1 North Lexington Avenue
White Plains, New York 10601
Attention: Ann Carlson, Esq.

and

Manufacturers and Traders Trust Company
303 South Broadway, Suite 130
Tarrytown, New York 10592
Attention: John Stroligo, Vice President

If to Co-Lender:

Capital One, N.A.
Commercial Real Estate
275 Broadhollow Road
P. O. Box 8914
Melville, NY 11747
Attention: Peter A. Welch, Senior Vice President

with a copy to:

Capital One Bank
90 Park Avenue, 4th Floor
New York, NY 10016
Attention: Chris Cho, Vice President

with a copy (which shall not constitute notice) to:
Riemer & Braunstein LLP
Times Square Tower, Suite 2506
Seven Times Square
New York, NY 10036
Attention: Jeffrey Page, Esq.

If to Borrower:

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

Joint and Several. If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts and obligations which become due under this Note and the term "Borrower" shall include each as well as all of them.

Governing Law; Jurisdiction. This Note has been delivered to and accepted by the Lender and will be deemed to be made in the State of New York. Except as otherwise provided under federal law, this Note will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **BORROWER AND LENDER HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK IN NEW YORK OR WESTCHESTER COUNTY, AND CONSENTS THAT THE LENDER MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS NOTE WILL PREVENT THE LENDER FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Lender and Borrower. Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

Waiver of Jury Trial. **BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY BORROWER AND THE LENDER MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS NOTE OR THE TRANSACTIONS RELATED HERETO. BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE LENDER WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT THE LENDER HAS BEEN INDUCED TO ENTER INTO THIS NOTE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

Recourse Liability. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an **"Exculpated Party;"**) shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Lender and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Lender or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this paragraph shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees). Notwithstanding the foregoing provisions of this paragraph, each Exculpated Party shall be personally (and on a full recourse basis) liable for and shall indemnify and defend Lender and the Lending Group from and against, and shall hold Lender and the Lending Group harmless of, from and against any deficiency, liability, loss, damage, costs, and expenses (including legal fees and disbursements) suffered by Lender and/or the Lending Group and caused by, or arising out of or as a result of any of the following: (i) such Person's commission of a criminal act, (ii) such Person's failure to comply with the provisions of the Loan Documents prohibiting a transfer or Change of Control; (iii) such Person's misappropriation of any cash flow or other revenue derived from or in respect of the Project, including security deposits, insurance proceeds, condemnation awards, or any rental, sales or other income derived directly or indirectly from the Project, or the misapplication of any of the foregoing sums, in either event, in contravention of any provision of the Mortgage or the other Loan Documents; (iv) such Person's fraud or misrepresentation or inaccurate certification made at any time in connection with the Loan Documents or the Indebtedness; (v) such Person's intentional interference with Lender's (or the Lending Groups') exercise of its rights under any of the Loan Documents; (vi) such Person's intentional destruction or removal of fixtures or personal property securing the Obligations unless replaced by items of equal value and utility; (vii) such Person's misapplication or misappropriation of funds disbursed from the Project Fund; (viii) such Person's commissions of intentional waste to or of the Project or any portion thereof or failure to maintain the Project and the Premises in the manner required by the Loan Documents; (ix) failure to maintain the insurance coverage required by the Loan Documents; (x) failure to pay taxes, assessments and any other charges, including, without limitation, charges for labor or materials, which could result in prior liens against any portion of the Project; (xi) willful misconduct; (xii) Borrower files a voluntary petition under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiii) such Person files or joins in the filing of, or solicits or acts in concert with, or colludes or conspires with petitioning creditors with respect to, an involuntary petition against Borrower under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiv) Borrower files an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xv) such Person consents to or acquiesces in or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any portion of the Project; or (xvi) Borrower makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due.

Preauthorized Transfers from Deposit Account. If a deposit account number is provided in the following blank Borrower hereby authorizes the Lender to debit Borrower's deposit account # _____ with the Lender automatically for any amount which becomes due under this Note.

Acknowledgment. Borrower acknowledges that it has read and understands all the provisions of this Note, including the **Governing Law, Jurisdiction and Waiver of Jury Trial**, and has been advised by counsel as necessary or appropriate.

BORROWER

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President

STATE OF NEW YORK)
 : ss.
COUNTY OF WESTCHESTER)

On the 18th day of January, in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Debra Leibler-Jones
Notary Public

Debra Leibler-Jones
Notary Public No. 01LE6005994
Qualified in Dutchess County, New York
Commission Expires 04/20/2014

FOR INTERNAL USE ONLY

Authorization Confirmed: _____

**RIDER TO
MORTGAGE NOTE
(LIBOR Rider)**

Borrower: Canarsie Plaza LLC
Mortgage Note Original Principal Amount: \$3,354,167.00
Mortgage Note Date: January 19, 2011

Definitions. As used in this Rider, each capitalized term shall have the meaning specified in the Note and the following terms shall have the indicated meanings:

- 1) **“Adjustment Date”** shall be the first calendar day of each month.
- 2) **“Applicable Interest Rate”** shall mean either the LIBOR Rate or the Base Rate, as the case may be.
- 3) **“Base Month”** shall mean the first month following the month in which the Note Set Date occurs. For example, if the Note Set Date is March 10, then the “Base Month” would be April.
- 4) **“Base Rate”** shall be equal to the greater of (a) the rate of interest announced by the Lender as its prime rate of interest in effect on the first day of each calendar month, plus one (1) percentage point or (b) an interest rate floor of 6.50% (the **“Interest Rate Floor”**).
- 5) **“Joint Business Day”** shall mean any day of the year on which banking institutions in New York, New York are not authorized or required by law or other governmental action to close and, in connection with the LIBOR Rate, on which dealings are carried on in the London Interbank market.
- 6) **“LIBOR”** means the rate per annum (rounded upward, if necessary, to the nearest 1/16th of 1%) obtained by dividing (i) the one month interest period London Interbank Offered Rate for United States dollar deposits in the London interbank market at approximately 11:00 a.m. London, England time (or as soon thereafter as practicable), as determined by the Lender from any broker, quoting service or commonly available source utilized by the Lender or its agents, by (ii) a percentage equal to 100% minus the stated maximum rate of all reserves required to be maintained against “Eurocurrency Liabilities” as specified in Regulation D (or against any other category of liabilities which includes deposits by reference to which the interest rate on any loan bearing interest at a LIBOR Rate is determined, or any category of extensions of credit or other assets which includes loans by a non-United States office of a bank to United States residents) on such date to any member bank of the Federal Reserve System. Notwithstanding any provision above, the practice of rounding to determine LIBOR may be discontinued at any time in the Lender’s sole discretion.
- 7) **“LIBOR Rate”** shall mean the greater of (a) 4.00% percentage points above LIBOR or (b) the Interest Rate Floor.
- 8) **“Note Set Date”** shall mean the date the first advance is made to Borrower.

LIBOR Rate Adjustments. The LIBOR Rate shall be initially based on one month LIBOR in effect two (2) Joint Business Days before the Note Set Date, then adjusted on the first calendar day of the Base Month using the LIBOR in effect two (2) Joint Business Days prior to that first calendar day of the Base Month. Thereafter, the LIBOR rate shall be adjusted on the Adjustment Date based on the applicable LIBOR in effect two (2) Joint Business Days prior to the respective Adjustment Date.

Inability to Determine LIBOR Rates. If the Lender shall determine that for any reason adequate and reasonable means do not exist for ascertaining LIBOR with respect to this Note, the Lender will give notice of such determination to Borrower. Upon such determination and notice, the Lender may convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate. Thereafter, the Lender may not maintain the Applicable Rate at the LIBOR Rate hereunder until the Lender revokes such notice in writing.

Increased Cost. If the Lender shall determine that due to either (a) the introduction of any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of LIBOR) in or in the interpretation of any requirement of law, or (b) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to the Lender of agreeing to make or making, funding or maintaining any loan at the LIBOR Rate, Borrower shall be liable for, and shall from time to time, upon demand therefor by the Lender, pay to the Lender such additional amounts as are sufficient to compensate the Lender for such increased costs.

Illegality. If the Lender shall determine that the introduction of any law (statutory or common), treaty, rule, regulation, guideline or determination of an arbitrator or of a governmental authority or in the interpretation or administration thereof, has made it unlawful, or that any central bank or other governmental authority has asserted that it is unlawful for the Lender to make a loan at the LIBOR Rate then, on notice thereof by the Lender to Borrower, the Lender may suspend maintaining this loan at the LIBOR Rate until the Lender shall have notified Borrower that the circumstances giving rise to such determination shall no longer exist and the Lender may convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate.

Conversion. The Lender may, in its sole discretion, convert the Applicable Interest Rate from the LIBOR Rate to the Base Rate upon the occurrence of an Event of Default. The Applicable Rate shall automatically convert from the LIBOR Rate to the Base Rate on the date Borrower commences, or has commenced against it, any proceeding or request for relief under any bankruptcy, insolvency or similar laws now or hereafter in effect in the United States of America or any state or territory thereof or any foreign jurisdiction or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Borrower.

Default Rate. Notwithstanding anything to the contrary in the Note, the default rate of interest that the Lender may charge under the Note shall be **at a rate per annum of twenty-four percent (24%)**. Nothing herein shall be construed to be a waiver by the Lender to have any Loan accrue interest at the default rate or other rights of the Lender set forth in this Note.

Prepayment. If Borrower prepays any principal amount (in whole or in part) when the Applicable Rate is the LIBOR Rate on or as of any day other than the last day of the selected interest period (other than regular installments of principal as set forth in the Note), or there is a conversion from the LIBOR Rate to the Base Rate, pursuant to the terms of this Note, on or as of any day other than the last day of the selected interest period, then Borrower shall be liable for and shall pay the Lender, on demand, an amount (the **"Breakage Fee"**) equal the actual amount of the liabilities, expenses, costs and/or funding losses that are a direct or indirect result of such prepayment, conversion or other condition described herein, including, without limitation, any liability, expense, cost (including administrative cost) or loss derived from liquidating or employing deposits acquired to fund or maintain the applicable loan through the end of the applicable interest period. The Lender's calculation of any Breakage Fee shall, in the absence of manifest error, be conclusive and binding upon Borrower. Borrower acknowledges and understands that, upon demand for payment or acceleration of maturity (as applicable) of all indebtedness under this Note, any tender of payment made thereafter shall be deemed a voluntary prepayment and, to the extent permitted by law, Borrower shall pay to the Lender the appropriate Breakage Fee in connection therewith.

Canarsie Plaza LLC

By: /s/ Robert Masters
Robert Masters
Senior Vice President

**AMENDED AND RESTATED
SEVERANCE AGREEMENT**

THIS AMENDED AND RESTATED SEVERANCE AGREEMENT (the "Agreement") is entered into as of April 19, 2011, by and between **Christopher Conlon**, an individual residing in the State of New York ("Senior Officer") and **Acadia Realty Trust**, a Maryland real estate investment trust, and **Acadia Realty Limited Partnership**, a Delaware limited partnership, both with offices at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605 (collectively, the "Company").

RECITALS

WHEREAS, the Company and Senior Officer previously entered into a Severance Agreement dated June 12, 2008 (the "Severance Agreement"); and

WHEREAS, Senior Officer and the Company desire to enter into the Agreement to reflect certain modifications and enhancements to the Severance Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreement set forth herein, the parties hereby agree as follows:

1. Termination of Employment and Change in Control.

(a) Senior Officer's employment hereunder may be terminated at any time under the following circumstances:

(i) Cause. "Cause" means the Senior Officer has: (A) deliberately made a misrepresentation in connection with, or willfully failed to cooperate with, a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or willfully destroyed or failed to preserve documents or other materials known to be relevant to such investigation, or willfully induced others to fail to cooperate or to produce documents or other materials; (B) failed to perform his duties hereunder (other than any such failure resulting from the Senior Officer's incapacity due to physical or mental illness) which failure continues for a period of three (3) business days after written demand for corrective action is delivered by the Company specifically identifying the manner in which the Company believes the Senior Officer has not performed his duties; (C) engaged in conduct constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company other than the occasional customary and de minimis use of Company property for personal purposes; (D) materially violated a Company policy, including but not limited to a policy set forth in the Company's Employee Handbook; (E) disparaged the

Company, its officers, trustees, employees or partners; (F) solicited any existing employee of the Company above the level of an administrative assistant to work at another company; (G) committed a felony or misdemeanor involving moral turpitude, deceit, dishonesty or fraud.

- (ii) **Death.** Senior Officer's employment hereunder shall terminate upon his death.
- (iii) **Disability.** The Company shall have the right to terminate Senior Officer's employment due to "Disability" in the event that there is a determination by the Company that the Senior Officer has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled the Senior Officer for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) **Good Reason.** The Senior Officer shall have the right to terminate his employment within the 90 day period following the Company's failure to cure any of the following events that will constitute "Good Reason" if not cured within the 30-day period following written notice of such default to the Company by the Senior Officer: (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to: a material, adverse alteration in the nature of Senior Officer's duties, responsibilities or authority; (B) upon a material reduction in Senior Officer's Annual Base Salary as in effect at the time in question, or a failure to pay such amounts when due, or (C) if the Company relocates Senior Officer's office requiring the Senior Officer to increase his commuting time by more than one (1) hour. Any notice hereunder by the Senior Officer must be made within 90 days after the Senior Officer first knows or has reason to know about the occurrence of the event alleged to be Good Reason.
- (v) **Without Cause.** The Company shall have the right to terminate the Senior Officer's employment hereunder Without Cause subject to the terms and conditions of this Agreement.
- (vi) **Change in Control.** For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act (irrespective of any vesting or waiting periods) of (i) Common Shares in an amount equal to thirty percent (30 %) or more of the sum total of the Common Shares issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise

in connection with the financing of such transaction; provided, however, that in determining whether a Change of Control has occurred, Outstanding Shares or Voting Securities which are acquired in an acquisition by (i) the Company or any of its subsidiaries or (ii) an employee benefit plan (or a trust forming a part thereof) maintained by the Company or any of its subsidiaries shall not constitute an acquisition which can cause a Change of Control; or (B) the approval of the dissolution or liquidation of the Company; or (C) the approval of the sale or other disposition of all or substantially all of its assets in one (1) or more transactions; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the majority of the members of the Board as to the appointment of the new Board members.

(b) **Notice of Termination** Any termination of Senior Officer's employment by the Company or any such termination by the Senior Officer (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Senior Officer's employment under the provision so indicated. In the event of the termination of Senior Officer's employment on account of death, written Notice of Termination shall be deemed to have been provided on the date of death.

2. Compensation Upon Termination of Employment By the Company for Cause or Voluntarily By The Senior Officer.

In the event the Company terminates Senior Officer's employment for Cause, or the Senior Officer voluntarily terminates his employment, the Company shall pay the Senior Officer any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination and any accrued vacation pay ("Unpaid Accrued Salary"). In addition, in such event, the Senior Officer shall be entitled to exercise any options which, as of the date of termination, have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan. All options, restricted stock and long-term incentive partnership interests ("LTIP" Units) granted to the Senior Officer which have not vested on the date of termination shall automatically terminate.

Except for any rights which the Senior Officer may have to Unpaid Accrued Salary through and including the date of termination, and vested options and stock, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

3. Compensation Upon Termination of Employment Upon Disability, Death, Without Cause or By Senior Officer for Good Reason.

In the event of termination of Senior Officer's employment as a result of Senior Officer's Disability, Death, Without Cause or by Senior Officer for Good Reason, the Company shall pay to the Senior Officer, the following in a single cash payment made within thirty days following the Senior Officer's employment termination date (or such later date as determined pursuant to Section 21 below):

- (i) any Unpaid Accrued Salary through and including the date of termination; plus
- (ii) an amount equal to one year's salary at the then current annual base salary (before any reductions) (the "Severance Salary"); plus
- (iii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"); plus
- (iv) the Senior Officer's car allowance, if any, for one year (the "Car Allowance"); plus
- (v) a pro rata portion of Senior Officer's bonus (based upon the last two year's bonus); plus

In the event of termination of Senior Officer's employment as a result of the above and following a Change in Control, in addition to the above amounts,

- (vi) the Company shall pay to the Senior Officer an amount equal to six month's base salary (the "Change of Control Retention Payment"); and
- (vii) the Company shall continue Senior Officer's base salary and medical benefits for a period not to exceed the earlier of (a) six months from the date of such termination or (b) the date when Senior Officer becomes reemployed; provided that the Senior Officer shall collect all such salary and benefits on or before March 15th of the calendar year after the date of termination (with the Company paying the Senior Officer a lump sum as needed on or before such March 15th in order to provide the full value of any salary and benefits otherwise payable thereafter).

Notwithstanding anything to the contrary contained herein, if the Senior Officer's employment is terminated Without Cause, or the Senior Officer terminates his employment for Good Reason prior to a Change of Control and subsequently an event is announced within six months of his termination which, when consummated, would constitute a Change of Control, then the Senior Officer shall be entitled to the payment described in Section 3(vi) upon consummation.

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule, including without limitation restricted stock, phantom stock, units and any loan forgiveness arrangements granted to the Senior Officer ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation") and (B) options granted to the Senior Officer shall immediately vest as of the date of such termination (the "Vested Options") and the Senior Officer shall be entitled at the option of the Senior Officer, his estate or his personal representative, within 18 months of the date of such termination (or expiration of their initial term, if earlier), to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the Agreement, the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred (100) days following the date of Senior Officer's termination, to repurchase all or any portion of Senior Officer's vested options to purchase shares of Common Shares at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the Common Shares for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Senior Officer's termination of employment (the "Vested Option Exercise Election"). In the event of a conflict between any option grant agreement or plan and this Agreement, the terms of this Agreement shall control. For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Shares are primarily traded) of the Common Shares on each of the trading days within the twenty (20) days immediately preceding the date of termination of Senior Officer's employment.

Except for any rights which the Senior Officer may have to all of the above including unpaid Accrued Salary, Severance Salary, Vested Incentive Compensation, Vested Options, Expense Reimbursement, the Car Allowance and the Bonus, the Company shall have no further obligations hereunder following such termination.

The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Senior Officer's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to the Senior Officer.

4. Change in Control.

Following a Change in Control, the following rights shall arise:

(a) Options. Any options granted to the Senior Officer that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall require the Senior Officer to exercise any options. In the event of a conflict between any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) **Restricted Stock and LTIP Units.** Any restricted stock and LTIP Units granted to the Senior Officer that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. In the event of a conflict between any restricted stock agreement or plan and this Agreement, the terms of this Agreement shall control.

(c) **Upon Termination.** If the surviving entity terminates Senior's Officer's employment Without Cause or the Senior Officer terminates his employment for Good Reason, the Company or the surviving entity shall pay to the Senior Officer, and the Senior Officer shall be entitled to, all the payments and rights the Senior Officer would have in Paragraph 3, including the payments due under Paragraph 3.(vi) and (vii), but less the value of any severance payments Senior Officer receives from the surviving entity after the date of the Change of Control. The rights described herein are subject to the provisions of Section 6(b).

5. Indemnification/Legal Fees.

(a) **Indemnification.** In the event the Senior Officer is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Senior Officer's employment with or serving as an officer of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Senior Officer to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Senior Officer in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Senior Officer) and such indemnification shall continue as to Senior Officer even after Senior Officer is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and administrators. To the extent allowed by applicable law, expenses incurred by Senior Officer in connection with any Proceeding shall be paid by the Company in advance upon request of Senior Officer that the Company pay such expenses; but only in the event that Senior Officer shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Senior Officer is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Senior Officer under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Senior Officer's rights to receive indemnity.

(b) **Legal Fees.** If any contest or dispute shall arise between the Company and Senior Officer regarding or as a result of any provision of this Agreement, the Company shall reimburse Senior Officer for all legal fees and expenses reasonably incurred by Senior Officer in connection with such contest or dispute, but only if Senior Officer is successful in respect of substantially all of Senior Officer's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable, and not more than 60 days, following the resolution of such contest or dispute (whether or not appealed).

6. Successors and Assigns, Term.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Senior Officer, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain any such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Senior Officer to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if Senior Officer terminated his employment for Good Reason hereunder in accordance with the terms as set forth in Paragraph 1.(a)(iv), except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the Agreement provided for in this Paragraph 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Senior Officer pursuant to this Paragraph 6 shall be paid to Senior Officer in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor. Nothing in this Paragraph 6(a) shall be construed to interfere with the Company's right to implement or pursue such succession.

(b) Notwithstanding anything to the contrary contained herein, this Agreement, including the obligations described in Section 4.(c), shall terminate and be of no further force and effect 18 months from the date of a Change of Control.

7. Timing of and No Duplication of Payments.

All payments payable to Senior Officer pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Senior Officer shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

8. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Senior Officer in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Senior Officer of any such right or remedy shall preclude other or further exercise thereof. A waiver of right to remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

The respective rights and obligations of the parties hereunder shall survive the Senior Officer's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

9. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company at the address set forth above or Senior Officer at his address as set forth in the Company records (or to such other address as shall have been previously provided in accordance with this Paragraph 10).

10. Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the State of New York.

11. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

12. Legal Representation.

Each of the Company and Senior Officer has had an opportunity to discuss this Agreement with counsel.

13. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same Agreement.

14. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

15. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

16. Survival of Agreements.

The covenants made in Paragraphs 1 through 5 each shall survive the termination of this Agreement.

17. Binding Effect.

This Agreement shall be binding on the Company, its successors and assigns, including any surviving entity resulting from a merger, consolidation or other corporate reorganization.

18. Senior Officer's Covenants.

Senior Officer covenants and agrees that in the event he receives any compensation (other than compensation upon termination of employment by the Company for Cause or voluntarily by the Senior Officer) pursuant to this Agreement, he shall not solicit for employment any personnel above the position of Administrative Assistant employed by the Company at the time of his termination for a period of two years from his Date of Termination as long as such personnel is still employed by the Company. Nothing contained herein to the contrary, however, shall prevent Senior Officer from providing a reference for any such personnel.

19. Confidentiality.

Senior Officer and the Company agree to keep this Agreement confidential to the extent permitted by law. Senior Officer agrees to keep confidential all information in his possession regarding the Company, its properties and its plans, which is not generally known to the public.

20. Excess Parachute Payments.

Any provision of this Agreement to the contrary notwithstanding, if any of the payments or benefits provided for in this Agreement, together with any other payments which Employee has a right to receive from the Company or any of its affiliates, constitute a "parachute payment", as defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), payments pursuant to this Agreement shall be reduced, if necessary to the largest amount as will result in no portion of such payments being subject to the excise tax imposed by Section 4999 of the Code, all as determined by the Company's regularly engaged independent public accountants.

21. Compliance with Section 409A.

(a) Generally. Except to the extent specifically provided in any separate written agreement between the Senior Officer and the Company, the Senior Officer shall -- with respect to any and all amounts and benefits payable under this Agreement -- be solely responsible for the satisfaction of any taxes (including applicable withholding and employment taxes, and taxes arising under Code Sections 409A regarding deferred compensation and 4999 regarding golden parachute excise taxes). Although the Company intends and expects that the Plan and its awards and benefits will not give rise to the taxes imposed under Code Section 409A, neither the Company nor its employees, directors or their agents shall have any obligation to pay, to mitigate, or to otherwise indemnify or hold the Senior Officer harmless from any or all of such taxes.

(b) Section 409A's Six-month Delay Rule. If, at the time of the Senior Officer's "separation from service" (within the meaning of Code Section 409A), the Senior Officer is a "specified employee" (within the meaning of Code Section 409A), the Company will not pay or provide any "Specified Benefits" (as defined herein) until after the end of the sixth calendar month beginning after the Senior Officer's separation from service (the "409A Suspension Period"). For purposes of this Agreement, "Specified Benefits" are any amounts or benefits that would be subject to Section 409A penalties if the Company were to pay or otherwise settle such amounts or benefits, pursuant to this Agreement, on account of the Senior Officer's separation from service. Within 14 calendar days after the end of the 409A Suspension Period, the Senior Officer shall be paid a lump sum payment in cash equal to any Specified Benefits delayed because of the preceding sentence, without interest. Thereafter, the Senior Officer shall receive any remaining payments or other benefits as if there had not been an earlier delay.

(c) Interpretation and Amendments. All payments and benefits provided to Senior Officer through this Agreement are intended to be exempt from Section 409A of the Code, and the Company shall have complete discretion to interpret and construe this Agreement and any associated documents in any manner that establishes an exemption from (or otherwise conforms them to) the requirements of Section 409A.

If, for any reason including imprecision in drafting, any Plan provision does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent (by the Company in its sole and absolute discretion), the provision shall be considered ambiguous and shall be interpreted by the Company in a fashion consistent herewith, as determined in the sole and absolute discretion of the Company. The Company reserves the right (including the right to delegate such right) to unilaterally amend this Agreement without the consent of the Senior Officer in order to accurately reflect its correct interpretation and operation, as well as to maintain an exclusion from the application of, or compliance with, Code Section 409A.

22. Prior Understandings.

This Agreement embodies the entire contract between the parties hereto with respect to employment and severance and supersedes any and all prior agreements and understandings, written or oral, formal or informal by and between the Company and the Senior Officer.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

ACADIA REALTY TRUST

By: /s/ Robert Masters
Robert Masters
Senior Vice President

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust, its General Partner

By: /s/ Robert Masters
Robert Masters
Senior Vice President

/s/ Christopher Conlon
Christopher Conlon

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 5, 2011

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 5, 2011

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, 2011, 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 5, 2011

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, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Nelsen, Senior 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 5, 2011