

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from _____ to _____

Commission File Number 1-12002

ACADIA REALTY TRUST
(Exact name of registrant in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

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

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

10605
(Zip Code)

(914) 288-8100

(Registrant's telephone number, including area code)

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

YES NO

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

As of August 9, 2006, there were 31,771,544 common shares of beneficial interest, par value \$.001 per share, outstanding.

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Part I. Financial Information**Item 1. Financial Statements****ACADIA REALTY TRUST AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(unaudited)

	June 30, 2006	December 31, 2005
	(dollars in thousands)	
ASSETS		
Real estate:		
Land	\$ 135,720	\$ 146,240
Buildings and improvements	501,998	584,962
Construction in progress	12,058	4,016
	649,776	735,218
Less: accumulated depreciation	(139,578)	(135,891)
Net real estate	510,198	599,327
Cash and cash equivalents	55,114	91,398
Cash in escrow	7,500	7,799
Restricted cash	549	548
Investments in and advances to unconsolidated affiliates	37,658	10,320
Investment in management contracts, net of accumulated amortization of \$2,431 and \$1,938, respectively	2,745	3,178
Preferred equity investment	—	19,000
Rents receivable, net	8,069	13,505
Notes receivable	57,801	15,733
Prepaid expenses	4,376	5,199
Deferred charges, net	25,556	24,288
Acquired lease intangibles	6,785	8,941
Other assets	18,741	15,786
Assets of discontinued operations	26,099	26,836
	\$ 761,191	\$ 841,858
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$ 361,890	\$ 411,000
Accounts payable and accrued expenses	8,901	19,018
Dividends and distributions payable	6,161	6,088
Share of distributions in excess of share of income and investment in unconsolidated affiliates	23,131	10,315
Other liabilities	9,244	14,375
Liabilities of discontinued operations	13,963	14,221
Total liabilities	423,290	475,017
Minority interest in operating partnership	8,357	9,204
Minority interests in partially-owned affiliates	106,541	137,061
Total minority interests	114,898	146,265
Shareholders' equity:		
Common shares	31	31
Additional paid-in capital	223,920	223,199
Accumulated other comprehensive income (loss)	1,861	(12)
Deficit	(2,809)	(2,642)
Total shareholders' equity	223,003	220,576
	\$ 761,191	\$ 841,858

Part I. Financial Information**Item 1. Financial Statements****ACADIA REALTY TRUST AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
(dollars in thousands, except per share amounts)				
Revenues				
Minimum rents	\$ 17,448	\$ 19,134	\$ 35,236	\$ 37,635
Percentage rents	126	150	311	351
Expense reimbursements	3,480	3,555	7,559	7,929
Other property income	251	175	462	505
Management fee income	1,281	982	2,482	1,557
Interest income	1,907	903	3,653	1,320
Total revenues	24,493	24,899	49,703	49,297
Operating Expenses				
Property operating	3,602	4,639	7,652	9,459
Real estate taxes	2,460	2,325	5,259	4,887
General and administrative	4,779	3,820	10,086	6,935
Depreciation and amortization	6,506	6,234	12,904	12,506
Total operating expenses	17,347	17,018	35,901	33,787
Operating income	7,146	7,881	13,802	15,510
Equity in earnings of unconsolidated affiliates	3,028	126	7,140	387
Interest expense	(5,654)	(4,352)	(10,839)	(8,285)
Minority interest	327	1,050	(754)	1,251
Income from continuing operations before income taxes	4,847	4,705	9,349	8,863
Income taxes	(363)	—	(812)	—
Income from continuing operations	4,484	4,705	8,537	8,863
Discontinued operations:				
Operating income from discontinued operations	371	400	677	692
Impairment of real estate	—	(770)	—	(770)
Minority interest	(7)	10	(13)	5
Income (loss) from discontinued operations	364	(360)	664	(73)
Net income	\$ 4,848	\$ 4,345	\$ 9,201	\$ 8,790
Basic earnings per share				
Income from continuing operations	\$ 0.14	\$ 0.15	\$ 0.26	\$ 0.28
Income (loss) from discontinued operations	0.01	(0.01)	0.02	—
Basic earnings per share	\$ 0.15	\$ 0.14	\$ 0.28	\$ 0.28
Diluted earnings per share				
Income from continuing operations	\$ 0.14	\$ 0.15	\$ 0.26	\$ 0.27

Income (loss) from discontinued operations	<u>0.01</u>	<u>(0.01)</u>	<u>0.02</u>	<u>—</u>
Diluted earnings per common share	<u>\$ 0.15</u>	<u>\$ 0.14</u>	<u>\$ 0.28</u>	<u>\$ 0.27</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

(unaudited)

	June 30, 2006	June 30, 2005
	(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,201	\$ 8,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,465	12,338
Minority interests	767	(1,256)
Equity in earnings of unconsolidated affiliates	(7,140)	(387)
Amortization of derivative settlement included in interest expense	218	219
Distributions of operating income from unconsolidated affiliates	6,079	310
Restricted share compensation	2,543	542
Trustee share compensation	75	—
Changes in assets and liabilities:		
Cash in escrow	(1,394)	3
Restricted cash	(1)	102
Rents receivable	2,887	(4,773)
Prepaid expenses	30	28
Other assets	(1,840)	(5,764)
Accounts payable and accrued expenses	(3,694)	(208)
Other liabilities	2,949	889
Net cash provided by operating activities	24,145	10,833
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for real estate and improvements	(49,268)	(31,633)
Investments in and advances to unconsolidated affiliates	(23,822)	(1,398)
Distributions from unconsolidated affiliates	26,758	489
Expenditures for deferred costs	(4,144)	(3,984)
Increase in notes receivable	(42,068)	(6,489)
Preferred equity investment	19,000	(19,500)
Net cash used in investing activities	(73,544)	(62,515)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(87,678)	(6,029)
Additional borrowings under mortgage notes	107,291	52,000
Dividends paid	(11,956)	(10,940)
Increase in dividend payable	73	78
Redemption of Operating Partnership Units	(100)	—
Minority interest share of Operating Partnership Unit redemption	(146)	—
Distributions to minority interests in Operating Partnership	(240)	(256)
Preferred distributions on Operating Partnership units	(124)	(178)
Distributions to minority interests in partially-owned affiliates	(34,225)	—
Contributions from minority interests in Operating Partnership	40,124	37,303
Exercise of options	43	333
Common Shares issued under Employee Stock Purchase Plan	53	47
Net cash provided by financing activities	13,115	72,358
(Decrease) increase in cash and cash equivalents	(36,284)	20,676
Cash and cash equivalents, beginning of period	91,398	16,043
Cash and cash equivalents, end of period	\$ 55,114	\$ 36,719

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 10,971	\$ 9,189
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Supplemental disclosure of non-cash investing and financing activities:

Acquisition of management contract rights through issuance of Preferred Operating Partnership Units	\$ —	\$ 4,000
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Increase in share of distributions in excess of share of income and investment in unconsolidated affiliates as a result of the Brandywine recapitalization (Note 2)	\$ 10,428	\$ —
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See accompanying notes

ACADIA REALTY TRUST

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Acadia Realty Trust (the “Company”) is a fully integrated and self-managed real estate investment trust (“REIT”) focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers.

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership” or “OP”) and partnerships in which the OP owns a controlling interest. As of June 30, 2006, the Company controlled 98% of the Operating Partnership as the sole general partner.

In 2001, the Company formed a partnership, Acadia Strategic Opportunity Fund I, LP (“Fund I”), and in 2004 formed a limited liability company, Acadia Mervyn I, LLC (“Mervyns I”), with four institutional investors. The Company committed a total of \$20.0 million to Fund I and Mervyns I, and the four institutional shareholders committed \$70.0 million, for the purpose of acquiring a total of approximately \$300.0 million in investments. As of June 30, 2006, the Company has contributed \$16.2 million to Fund I and \$2.7 million to Mervyns I.

The Company is the sole general partner or managing member, with a 22% interest in both Fund I and Mervyns I and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. Decisions made by the general partner, as it relates to purchasing, financing, and disposition of properties, are subject to the unanimous disapproval of the Advisory Committee of Fund I, which is comprised of representatives from each of the four institutional investors. Cash flow is distributed pro-rata to the partners (including the Company) until they have received a 9% cumulative return, and the return of all capital contributions. Thereafter, remaining cash flow is to be distributed 80% to the partners (including the Company) and 20% to the Company as a carried interest (“Promote”). Through December 31, 2005, the Company also earned a fee for asset management services equal to 1.5% of the allocated equity in the remaining Fund I assets, as well as market-rate fees for property management, leasing and construction services. Effective January 1, 2006, the Company converted the asset management fee to a priority distribution of the same amount as the fee, which entitles the Company to a special allocation of income equal to the amount of the priority distribution. Thereafter, cash flow is distributed as previously mentioned and the Company continues to earn the market rate property management, leasing and construction fees. Following the recapitalization of the Brandywine Portfolio in January 2006, all capital contributions and the required 9% cumulative preferred return have been distributed to the institutional investors. Accordingly, the Company is now entitled to a Promote on all future earnings and distributions.

In June of 2004, the Company formed a limited liability company, Acadia Strategic Opportunity Fund II, LLC (“Fund II”), and in August 2004 formed another limited liability company, Mervyn II, LLC (“Mervyns II”), with the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II and Mervyns II expect to be able to acquire up to \$900.0 million of investments on a leveraged basis. The Company’s share of committed capital is \$60.0 million. The Company is the sole managing member with 20% interest in the limited liability companies and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8%. As of June 30, 2006, the Company has contributed \$16.2 million to Fund II and \$6.7 million to Mervyns II.

2. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of the Company and its controlling investments in partnerships and limited liability companies, including the Operating Partnership, and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Non-controlling investments in partnerships are accounted for under the equity method of accounting as the Company exercises significant influence. 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.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Operating results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2006. For further information refer to the consolidated financial statements and accompanying footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PRESENTATION (continued)

In 2005, the Emerging Issues Task Force (“EITF”) reached a consensus that the general partners in a limited partnership should determine whether they control a limited partnership based on the application of the framework as discussed in EITF 04-5, “Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights”. Under EITF 04-5, the general partners in a limited partnership are presumed to control that limited partnership regardless of the extent of the general partner’s ownership interest in the limited partnership. The assessment of whether the rights of the limited partners should overcome the presumption of control by the general partners is a matter of judgment that depends on facts and circumstances. If the limited partners have either (a) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights, the general partners do not control the limited partnership. EITF 04-5 was effective immediately for new partnerships formed and existing limited partnerships for which the partnership agreements were modified on or after June 29, 2005, and for all other partnerships, EITF 04-5 is effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The provisions of EITF 04-5 may be initially applied through either one of two methods: (1) similar to a cumulative effect of a change in accounting principle or (2) retrospective application. The Company assessed the impact of EITF 04-5 as it related to the method of accounting utilized for its equity investments and determined that its investments in Fund I, Fund II, Mervyns I and Mervyns II which were accounted for under the equity method of accounting, should be consolidated, effective upon adoption of EITF 04-5 on January 1, 2006. The Company utilized the retrospective approach in the application of EITF 04-5 and has presented all historical periods prior to 2006 on a consistent basis with 2006 and thereafter. There was no impact on net income or shareholders’ equity for any of the reported periods in the accompanying consolidated financial statements due to the consolidation of these investments.

On January 4, 2006, Fund I recapitalized its investment in a one million square foot shopping center portfolio located in Wilmington, Delaware (“Brandywine Portfolio”). The recapitalization was effected through the conversion of the 77.8% interest which was previously held by the institutional investors in Fund I to an affiliate of GDC Properties (“GDC”) through a merger of interests in exchange for cash. The Company has retained its existing 22.2% interest in the Brandywine Portfolio in partnership with GDC and continues to operate the portfolio and earn fees for such services.

Pursuant to EITF 04-5, the Company has presented the 2005 financial statements to reflect the consolidation of Fund I, including the Brandywine Portfolio which, at the time, was a wholly-owned investment of Fund I. Following the January 2006 recapitalization of the Brandywine Portfolio, the Company no longer has a controlling interest in this investment and, accordingly, currently accounts for this investment under the equity method of accounting.

3. EARNINGS PER COMMON SHARE

Basic earnings per share was determined by dividing net income for the period by the weighted average number of common shares of beneficial interest (“Common Shares”) outstanding during each period consistent with Statement of Financial Accounting Standards (“SFAS”) No. 128 “Earnings Per Share”. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted into Common Shares or resulted in the issuance of Common Shares that then shared in the earnings of the Company. The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(dollars in thousands, except per share amounts)			
Numerator:				
Income from continuing operations – basic and diluted	\$ 4,484	\$ 4,705	\$ 8,537	\$ 8,863
Denominator:				
Weighted average shares – basic earnings per share	32,509	31,899	32,489	31,883
Effect of dilutive securities:				
Employee stock options	302	246	300	259
Denominator for diluted earnings per share	32,811	32,145	32,789	32,142
Basic earnings per share from continuing operations	\$ 0.14	\$ 0.15	\$ 0.26	\$ 0.28
Diluted earnings per share from continuing operations	\$ 0.14	\$ 0.15	\$ 0.26	\$ 0.27

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. EARNINGS PER COMMON SHARE (continued)

The effect of the conversion of common units in the Operating Partnership ("Common OP Units") is not reflected in the above table as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share. The effect of the conversion of Series A and B Preferred OP Units ("Preferred OP Units") which would result in 337,079 and 522,679 additional Common Shares for each of the three and six months ended June 30, 2006 and 2005, respectively, is not reflected in the above table as such conversions would be anti-dilutive.

4. COMPREHENSIVE INCOME

The following table sets forth comprehensive income for the three and six months ended June 30, 2006 and 2005:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(dollars in thousands)			
Net income	\$ 4,848	\$ 4,345	\$ 9,201	\$ 8,790
Other comprehensive income (loss) ¹	775	(1,419)	1,873	623
Comprehensive income	\$ 5,623	\$ 2,926	\$ 11,074	\$ 9,413

Notes:

1 Relates to the changes in the fair value of derivative instruments accounted for as cash flow hedges.

	(dollars in thousands)
Accumulated other comprehensive income (loss)	
Balance at December 31, 2005	\$ (12)
Unrealized gain on valuation of swap and cap agreements	1,873
Balance at June 30, 2006	\$ 1,861

As of June 30, 2006 the balance in accumulated other comprehensive income was comprised of unrealized gains on the valuation of current swap and cap agreements.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

The following table summarizes the change in the shareholders' equity and minority interests since December 31, 2005:

	Shareholders' Equity	Minority Interest in Operating Partnership	Minority Interest in partially- owned Affiliates
	(dollars in thousands)		
Balance at December 31, 2005	\$ 220,576	\$ 9,204	\$ 137,061
Dividends and distributions declared of \$0.37 per Common Share and Common OP Unit	(11,956)	(240)	—
Net income for the period January 1 through June 30, 2006	9,201	198	569
Distributions paid	—	—	(71,088)
Conversion of Series A Preferred OP Units	696	(696)	—
Acquisition of partnership interest	—	—	2,246
Other comprehensive income – Unrealized gain on valuation of swap agreements	1,655	37	—
Other comprehensive income – adjustment of swap value included in net income	218	—	—
Employee stock-based compensation	2,595	—	—
Exercise of Options	43	—	—
Redemption of 11,105 Restricted Common OP Units	(101)	(146)	—
Issuance of Common Stock to Trustees	76	—	—
Minority Interest contributions	—	—	37,753
Balance at June 30, 2006	\$ 223,003	\$ 8,357	\$ 106,541

Notes:

Minority interest in the Operating Partnership represents (i) the limited partners' interest of 642,272 and 653,360 Common OP Units at June 30, 2006 and December 31, 2005, respectively, (ii) 188 and 884 Series A Preferred OP Units at June 30, 2006 and December 31, 2005, respectively, with a nominal value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$22.50 per unit (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit, and (iii) 4,000 Series B Preferred OP Units at June 30, 2006 and December 31, 2005, respectively, with a nominal value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$13.00 (5.2% annually) per unit or (b) the quarterly distribution attributable to a Series B Preferred OP Unit if such unit were converted into a Common OP Unit.

During the first quarter of 2006, holders of 696 Series A Preferred OP Units converted these into Common OP Units and ultimately into Common Shares.

During the second quarter of 2006, the Company redeemed 11,105 Restricted Common OP Units issued during July 2005 in connection with the purchase of 4343 Amboy Road.

Minority interests in partially-owned partnerships represent third-party interests. During January 2006, Fund I recapitalized the Brandywine Portfolio, and as a result, \$35.5 million was distributed to the institutional investors in Fund I. During the six months ended June 30, 2006, minority interests in Mervyns I and Mervyns II received distributions of \$16.5 million and \$18.4 million, respectively. In the second quarter of 2006, minority interests in Fund II and Mervyns II made contributions of \$20.8 million and \$17.0 million, respectively. During January 2006, the Company acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey, as discussed in Note 6. The remaining 40% interest is owned by a third party and is reflected as minority interest in the accompanying Consolidated Balance Sheet as of June 30, 2006.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY ACQUISITIONS

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

On January 24, 2006, the Company acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey. The property, which is 100% occupied and located in northeastern New Jersey, is a 63,000 square foot shopping center anchored by a 49,000 square foot A&P Supermarket. A portion of the remaining 40% interest is owned by a principal of P/A Associates, LLC ("P/A"). The interest was acquired for \$3.2 million. There is an existing first mortgage debt of \$8.7 million encumbering the property.

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

7. INVESTMENTS**A. Investments In and Advances to Unconsolidated Affiliates**

	June 30, 2006			December 31, 2005	
	Mervyns (1)	Brandywine Portfolio	Other Investments	Total	Total
	(dollars in thousands)				
Balance Sheets					
Assets:					
Rental property, net	\$ —	\$ 125,416	\$ 46,777	\$ 172,193	\$ 165,024
Investment in unconsolidated affiliates	393,955	—	—	393,955	9,401
Other assets	—	6,165	12,757	18,922	17,181
Total assets	\$ 393,955	\$ 131,581	\$ 59,534	\$ 585,070	\$ 191,606
Liabilities and partners' equity					
Mortgage note payable	\$ —	\$ 166,200	\$ 87,234	\$ 253,434	\$ 150,462
Other liabilities	—	13,069	7,718	20,787	54,544
Partners equity (deficit)	393,955	(47,688)	(35,418)	310,849	(13,400)
Total liabilities and partners' equity	\$ 393,955	\$ 131,581	\$ 59,534	\$ 585,070	\$ 191,606
Company's investment in unconsolidated affiliates	\$ 25,467	\$ —	\$ 12,191	\$ 37,658	\$ 10,320
Share of distributions in excess of share of income and investment in unconsolidated affiliates	\$ —	\$ (12,444)	\$ (10,687)	\$ (23,131)	\$ (10,315)

(1) Represents the Company's investment in unconsolidated affiliates through its RCP Venture investments.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

	Three Months Ended				
	June 30, 2006				June 30, 2005 (2)
	Mervyns (1)	Brandywine Portfolio	Other Investments	Total	Total
	(dollars in thousands)				
Statements of Operations:					
Total revenue	\$ —	\$ 4,591	\$ 3,726	\$ 8,317	\$ 2,643
Operating and other expenses	—	1,145	1,227	2,372	809
Interest expense	—	1,965	1,347	3,312	999
Equity in earnings of affiliates	23,852	—	—	23,852	—
Depreciation and amortization	—	784	417	1,201	158
Net income	\$ 23,852	\$ 697	\$ 735	\$ 25,284	\$ 677
Company's share of net income	\$ 2,414	\$ 269	\$ 345	\$ 3,028	\$ 126

	Six Months Ended				
	June 30, 2006				June 30, 2005 (2)
	Mervyns (1)	Brandywine Portfolio	Other Investments	Total	Total
	(dollars in thousands)				
Statements of Operations:					
Total revenue	\$ —	\$ 9,105	\$ 6,814	\$ 15,919	\$ 5,351
Operating and other expenses	—	2,359	2,555	4,914	1,484
Interest expense	—	6,974	2,451	9,425	2,184
Equity in earnings of affiliates	55,414	—	—	55,414	—
Depreciation and amortization	—	1,508	840	2,348	320
Net income (loss)	\$ 55,414	\$ (1,736)	\$ 968	\$ 54,646	\$ 1,363
Company's share of net income	\$ 5,730	\$ 991	\$ 419	\$ 7,140	\$ 387

(1) Represents the Company's investment in unconsolidated affiliates through its RCP Venture investments.

(2) The Brandywine Portfolio was consolidated with Fund I for the three and six months ended June 30, 2005. There were no Mervyns or Albertsons activity for the three and six months ended June 30, 2005.

ACADIA REALTY TRUST AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****7. INVESTMENTS (continued)****Retailer Controlled Property Venture**

On January 27, 2004, the Company entered into the Retailer Controlled Property Venture (“RCP Venture”) with Klaff Realty, L.P. (“Klaff”) and Klaff’s long-time capital partner Lubert-Adler Management, Inc. (“Lubert-Adler”) for the purpose of making investments in surplus or underutilized properties owned by retailers. On September 2, 2004, affiliates of Fund I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyns through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerebus, acquired Mervyns from Target Corporation. The total acquisition price was \$1.2 billion, with such affiliates’ combined \$23.5 million share of the investment divided equally between them. The Company’s share of the Mervyns investment totaled \$5.0 million. For the six months ended June 30, 2006, the Company’s share of net income from the investments made through the RCP Venture amounted to \$5.7 million.

During June of 2006, the RCP Venture made its second investment with its participation in the acquisition of Albertson’s. Affiliates of Fund II, through the same limited liability companies which were formed for the investment in Mervyns, invested \$21.2 million in the acquisition of Albertson’s through the RCP Venture, along with others as part of an investment consortium. The Company’s share of the invested capital was \$4.2 million.

Brandywine Portfolio

On January 4, 2006, the institutional investors of Fund I merged their 77.8% interest in the Brandywine Portfolio into affiliates of GDC in exchange for cash. The Company merged its 22.2% share of the Brandywine Portfolio into affiliates of GDC in exchange for a 22.2% interest in such affiliates. Prior to the closing of this transaction, the Company provided \$17.6 million of mortgage financing secured by certain properties within the Brandywine Portfolio. This financing was repaid in June 2006. For the six months ended June 30, 2006, the Company’s share of net income of \$1.0 million included \$1.1 million for reimbursement of the Company’s share of certain fees incurred by the Brandywine Portfolio by the institutional investors of Fund I. As of June 30, 2006, the Company’s share of distributions in excess of its share of income and investment in Brandywine amounted to \$12.4 million.

Fund I Investments

Fund I has joint ventures with third party investors in the ownership and operation of Hitchcock Plaza, Pine Log Plaza, Sterling Heights Shopping Center, Haygood Shopping Center, and Tarrytown Centre. The Hitchcock Plaza is a 235,000 square foot shopping center located in Aiken, South Carolina. Adjacent to the Hitchcock Plaza is the 35,000 square foot Pine Log Plaza. Sterling Heights Shopping Center, is a 155,000 square foot community shopping center located in Detroit, Michigan. Haygood Shopping Center is a 162,000 square foot center located in Virginia Beach, Virginia. Lastly, the 35,000 square foot Tarrytown Centre is located in Westchester, New York. These properties are accounted for using the equity method of accounting.

Crossroads

The Company owns a 49% interest in the Crossroads Joint Venture and Crossroads II Joint Venture (collectively “Crossroads”), which collectively own a 311,000 square foot shopping center in White Plains, New York. The Company accounts for Crossroads using the equity method of accounting. As of June 30, 2006, the Company’s share of distributions in excess of its share of income and investment in Crossroads amounted to \$10.7 million.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

B. Preferred Equity Investment

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

On June 1, 2006, the Company converted the Preferred Equity Investment to a mortgage loan in the amount of \$31.3 million. The loan has a maturity date of May 31, 2008 and has an interest rate of 10.5%. The loan is secured by fee and leasehold mortgages as well as a pledge of the entities owning 19 of the above remaining locations totaling 1.8 million square feet. Management believes that the underlying value of the real estate is sufficient to recover the mortgage and accordingly, no reserve is required at June 30, 2006.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of June 30, 2006. The notional value does not represent exposure to credit, interest rate or market risks.

Hedge Type	Notional Value	Interest Rate	Forward Start Date	Interest Maturity	Fair Value
(dollars in thousands)					
Current Interest Rate Swaps:					
LIBOR Swap	\$ 36,111	4.35%	n/a	1/1/11	\$ 1,516
LIBOR Swap	20,000	4.53%	n/a	10/1/06	45
LIBOR Swap	15,023	4.32%	n/a	1/1/07	89
LIBOR Swap	11,621	4.11%	n/a	1/1/07	81
LIBOR Swap	8,657	4.47%	n/a	6/1/07	80
	\$ 91,412				
Forward-starting Interest Rate Swaps:					
LIBOR Swap	\$ 4,640	4.71%	1/1/10	1/10/11	101
LIBOR Swap	11,410	4.90%	10/2/06	10/1/11	285
LIBOR Swap	8,434	5.14%	6/1/07	3/1/12	114
	\$ 24,484				
Interest Rate Caps:					
LIBOR Cap	\$ 30,000	6.00%	n/a	4/1/08	10
Derivatives receivable ⁽¹⁾					\$ 2,321

⁽¹⁾ The derivatives receivable is included in Other Assets in the Consolidated Balance Sheets.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. MORTGAGE LOANS

Due to the adoption of EITF 04-5 (Note 2), all of the Fund I and Fund II loans are now included as part of the Company's consolidated mortgage indebtedness.

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

On January 18, 2006, the Company drew an additional \$1.8 million on an existing credit facility. On April 21, 2006, the Company paid down \$15.0 million on this facility. On June 1, 2006, the Company drew an additional \$19.2 million on this facility. On June 22, 2006 the entire existing balance of \$30.4 million was paid off by the Company.

On January 24, 2006, in conjunction with the purchase of a partnership interest, the Company assumed a loan of \$8.7 million which bears interest at a fixed rate of 6.4%.

On February 22, 2006, the Company financed a property within its existing portfolio for \$20.5 million. This loan bears interest at a fixed rate of 5.4%. A portion of the proceeds were used to pay down \$10.9 million on an existing credit facility.

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

On May 31, 2006, the Company borrowed an additional \$13.0 million on an existing \$65.0 million revolving credit facility. This additional draw was repaid on June 30, 2006. The existing balance as of June 30, 2006 is \$22.0 million.

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

10. RELATED PARTY TRANSACTIONS

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

In June 2006, the Company converted its Preferred Equity Investment with Levitz SL, in which Klaff has an interest, into a mortgage loan (Note 7).

The Company also earns fees in connection with its rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties and/or leasehold interests in which Klaff has an interest. Net fees earned by the Company in connection with this portfolio were \$1.0 million for the three months ended June 30, 2006 and 2005, respectively, and \$2.1 million and \$1.6 million for the six months ended June 30, 2006 and 2005, respectively. The amount is net of the payment of sub-management fees to Klaff of \$0.3 million for the six months ended June 30, 2005.

Lee Wielansky, the Lead Trustee of the Company, was paid a consulting fee of \$25,000 for the three months ended June 30, 2006 and 2005, respectively, and \$50,000 for the six months ended June 30, 2006 and 2005, respectively.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT REPORTING

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with the retail versus residential tenants. The following tables set forth certain segment information for the Company for continuing operations for the three and six months ended June 30, 2006 and 2005 and does not include activity related to unconsolidated partnerships:

	Six months ended June 30, 2006			
	Retail Properties	Multi-Family Properties	All Other	Total
	(dollars in thousands)			
Revenues	\$ 39,568	\$ 4,000	\$ 6,135	\$ 49,703
Property operating expenses and real estate taxes	10,824	2,087	—	12,911
Other expenses	7,830	1,014	1,242	10,086
Net property income before depreciation, amortization and certain nonrecurring items	\$ 20,914	\$ 899	\$ 4,893	\$ 26,706
Depreciation and amortization	\$ 11,917	\$ 753	\$ 234	\$ 12,904
Interest expense	\$ 10,110	\$ 729	\$ —	\$ 10,839
Real estate at cost	\$ 607,771	\$ 42,005	\$ —	\$ 649,776
Total assets	\$ 722,186	\$ 39,005	\$ —	\$ 761,191
Expenditures for real estate and improvements	\$ 48,897	\$ 371	\$ —	\$ 49,268
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 26,706			
Depreciation and amortization	(12,904)			
Income from discontinued operations	664			
Equity in earnings of unconsolidated affiliates	7,140			
Interest expense	(10,839)			
Income taxes	(812)			
Minority interest	(754)			
Net income	\$ 9,201			

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT REPORTING (continued)

	Three months ended June 30, 2006			
	Retail Properties	Multi-Family Properties	All Other	Total
	(dollars in thousands)			
Revenues	\$ 19,341	\$ 1,964	\$ 3,188	\$ 24,493
Property operating expenses and real estate taxes	5,030	1,032	—	6,062
Other expenses	3,572	585	622	4,779
Net property income before depreciation, amortization and certain nonrecurring items	\$ 10,739	\$ 347	\$ 2,566	\$ 13,652
Depreciation and amortization	\$ 6,012	\$ 377	\$ 117	\$ 6,506
Interest expense	\$ 5,279	\$ 375	\$ —	\$ 5,654
Real estate at cost	\$ 607,771	\$ 42,005	\$ —	\$ 649,776
Total assets	\$ 722,186	\$ 39,005	\$ —	\$ 761,191
Expenditures for real estate and improvements	\$ 48,129	\$ 232	\$ —	\$ 48,361
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 13,652			
Depreciation and amortization	(6,506)			
Income from discontinued operations	364			
Equity in earnings of unconsolidated affiliates	3,028			
Interest expense	(5,654)			
Income taxes	(363)			
Minority interest	327			
Net income	\$ 4,848			

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT REPORTING (continued)

	Six months ended June 30, 2005			
	Retail Properties	Multi-Family Properties	All Other	Total
	(dollars in thousands)			
Revenues	\$ 42,648	\$ 3,772	\$ 2,877	\$ 49,297
Property operating expenses and real estate taxes	12,444	1,902	—	14,346
Other expenses	5,846	673	416	6,935
Net property income before depreciation, amortization and certain nonrecurring items	\$ 24,358	\$ 1,197	\$ 2,461	\$ 28,016
Depreciation and amortization	\$ 11,566	\$ 723	\$ 217	\$ 12,506
Interest expense	\$ 7,666	\$ 619	\$ —	\$ 8,285
Real estate at cost	\$ 613,045	\$ 41,060	\$ —	\$ 654,105
Total assets	\$ 681,136	\$ 40,314	\$ —	\$ 721,450
Expenditures for real estate and improvements	\$ 31,188	\$ 445	\$ —	\$ 31,633
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 28,016			
Depreciation and amortization	(12,506)			
(Loss) from discontinued operations	(73)			
Equity in earnings of unconsolidated affiliates	387			
Interest expense	(8,285)			
Minority interest	1,251			
Net income	\$ 8,790			

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT REPORTING (continued)

	Three months ended June 30, 2005			
	Retail Properties	Multi-Family Properties	All Other	Total
	(dollars in thousands)			
Revenues	\$ 21,118	\$ 1,896	\$ 1,885	\$ 24,899
Property operating expenses and real estate taxes	6,036	928	—	6,964
Other expenses	3,098	433	289	3,820
Net property income before depreciation, amortization and certain nonrecurring items	\$ 11,984	\$ 535	\$ 1,596	\$ 14,115
Depreciation and amortization	\$ 5,759	\$ 363	\$ 112	\$ 6,234
Interest expense	\$ 4,036	\$ 316	\$ —	\$ 4,352
Real estate at cost	\$ 613,045	\$ 41,060	\$ —	\$ 654,105
Total assets	\$ 681,136	\$ 40,314	\$ —	\$ 721,450
Expenditures for real estate and improvements	\$ 27,995	\$ 224	\$ —	\$ 28,219
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 14,115			
Depreciation and amortization	(6,234)			
(Loss) from discontinued operations	(360)			
Equity in earnings of unconsolidated affiliates	126			
Interest expense	(4,352)			
Minority interest	1,050			
Net income	\$ 4,345			

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. DISCONTINUED OPERATIONS

SFAS No. 144 "Accounting for the Impairment or Disposal of Long Lived Assets" ("SFAS 144") requires discontinued operations presentation for disposals of a "component" of an entity. In accordance with SFAS No. 144, the Company reflects the income and expenses and assets and liabilities for properties which became held for sale, as discontinued operations.

The combined results of operations of either sold properties or properties held for sale are reported separately as discontinued operations for the three and six months ended June 30, 2006 and 2005. These are related to the Soundview Marketplace and Bradford Towne Centre which the Company was marketing for sale as of June 30, 2006. The three and six months ended June 30, 2005 also included the Berlin Shopping Center, which was sold on July 7, 2005.

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

	June 30, 2006	December 31, 2005
	(dollars in thousands)	
ASSETS		
Net real estate	\$ 23,659	\$ 24,002
Cash and cash equivalents	—	9
Cash in escrow	144	292
Rents receivable, net	1,647	1,801
Prepaid expenses	176	165
Deferred charges, net	467	561
Other assets	6	6
Total assets of discontinued operations	\$ 26,099	\$ 26,836
LIABILITIES		
Mortgage notes payable	\$ 13,666	\$ 13,800
Accounts payable and accrued expenses	55	177
Other liabilities	242	244
Total liabilities of discontinued operations	\$ 13,963	\$ 14,221

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
	(dollars in thousands)			
Total revenues	\$ 1,759	\$ 1,796	\$ 3,427	\$ 3,795
Total expenses	1,388	1,396	2,750	3,103
Impairment of real estate	371	400	677	692
Minority interest	—	(770)	—	(770)
Income (loss) from discontinued operations	(7)	10	(13)	5
Income (loss) from discontinued operations	\$ 364	\$ (360)	\$ 664	\$ (73)

ACADIA REALTY TRUST AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****13. STOCK-BASED COMPENSATION**

The Company adopted the fair value method of recording stock-based compensation contained in SFAS No. 123R, "Accounting for Stock-Based Compensation" as of January 1, 2002. As such, stock based compensation awards granted after December 31, 2001 have been expensed over the vesting period based on the fair value at the date the stock-based compensation was granted.

On January 6, 2006 (the "Grant Date"), the Company issued 62,630 options to officers ("Officers") and employees ("Employees") of the Company. The options, which have an exercise price of \$20.65, are for ten-year terms and vest one third as of the Grant Date and one third on each of the next two anniversaries thereof. The Company has determined a value of \$3.03 per option using the binomial method for valuing such options. In prior periods, the Company utilized the Black-Scholes method for valuing options granted and believes that the binomial method more accurately reflects the value of the options. This change had no material effect on the value of the unvested options or the Company's consolidated financial statements. Accordingly, compensation expense of \$12,000 and \$91,000 has been recognized in the accompanying consolidated financial statements related to the options for the three and six months ended June 30, 2006.

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

The total value of the above Restricted Share awards on the date of grant was \$2.7 million, of which \$2.0 million will be recognized in compensation expense over the vesting period. Compensation expense of \$0.1 million and \$0.8 million has been recognized in the accompanying consolidated financial statements related to these Restricted Shares for the three and six months ended June 30, 2006.

On the Grant Date, the Company also issued a total of 224,901 Restricted Shares to Officers and 28,706 Restricted Shares to Employees in connection with a special, one-time performance bonus recognizing management's outstanding achievements in enhancing shareholder values over the past five years, including, but not limited to, total shareholder return and the recent recapitalization of the Brandywine Portfolio. The Restricted Shares will vest over a period of five years with 50% vesting on the third anniversary and 25% vesting on the following two anniversaries of the Grant Date. The total value of this special bonus was \$5.1 million and is being recognized in compensation expense over the vesting period. Compensation expense of \$0.3 million and \$0.5 million has been recognized in the accompanying consolidated financial statements related to this special bonus for the three and six months ended June 30, 2006.

On May 15, 2006, the Company issued 18,000 options and 4,801 unrestricted shares to Trustees of the Company in connection with Trustee fees. The options vest immediately. Trustee fee expense of \$159,000 has been recognized in the accompanying consolidated financial statements related to these options and unrestricted shares.

14. DIVIDENDS AND DISTRIBUTIONS PAYABLE

On May 15, 2006, the Board of Trustees of the Company approved and declared a cash dividend for the quarter ended June 30, 2006 of \$0.185 per Common Share and Common OP Unit. The dividend was paid on July 14, 2006 to shareholders of record as of June 30, 2006.

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 June 30, 2006 and 2005 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 which 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 in our Form 10-K for the year ended December 31, 2005 and include, among others, the following: general economic and business conditions, which will, among other things, affect demand for rental space, the availability and creditworthiness of prospective tenants, lease rents and the availability of financing; adverse changes in our real estate markets, including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

OVERVIEW

We currently operate 76 properties, which we own or have an ownership interest in, consisting of 74 neighborhood and community shopping centers and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. We receive income primarily from the rental revenue received from tenants at our properties, including recoveries, offset by operating and overhead expenses.

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

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

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect the significant judgments and estimates used by us in the preparation of our consolidated financial statements.

Valuation of Property Held for Use and Sale

On a quarterly basis, we review both properties held for use and for sale for indicators of impairment. We record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where we do not expect to recover our carrying costs on properties held for use, we reduce our carrying cost to fair value, and for properties held for sale, we reduce our carrying value to the fair value less costs to sell. Management does not believe that the value of any properties in our portfolio was impaired as of June 30, 2006.

Bad Debts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of June 30, 2006, we have recorded an allowance for doubtful accounts of \$2.4 million. If the financial condition of our tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

RESULTS OF OPERATIONS**Comparison of the three months ended June 30, 2006 ("2006") to the three months ended June 30, 2005 ("2005")**

Effective January 1, 2006, we account for our Funds I and II and Mervyns I and II investments on a consolidated basis pursuant to EITF 04-5. Historic results for the three and six months ended June 30, 2005 have also been presented on a consolidated basis for purposes of comparability with 2006.

In addition, the Brandywine Portfolio operations were consolidated as part of Fund I for the three and six months ended June 30, 2005. Subsequent to the recapitalization and conversion of interests from Fund I to GDC in January 2006, the Brandywine Portfolio is accounted for under the equity method of accounting for the three and six months ended June 30, 2006. In the following tables, we have excluded the Brandywine Portfolio operations for the three and six months ended June 30, 2005 for purposes of comparability with the three and six months ended June 30, 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change	
					\$	%
Revenues:						
Minimum rents	\$ 17.4	\$ 19.1	\$ (3.3)	\$ 15.8	\$ 1.6	10%
Percentage rents	0.1	0.1	—	0.1	—	—
Expense reimbursements	3.5	3.6	(0.6)	3.0	0.5	17%
Other property income	0.3	0.2	—	0.2	0.1	50%
Management fee income	1.3	1.0	0.1	1.1	0.2	18%
Interest income	1.9	0.9	—	0.9	1.0	111%
Total revenues	\$ 24.5	\$ 24.9	\$ (3.8)	\$ 21.1	\$ 3.4	16%

The increase in minimum rents was attributable to additional rents following our acquisition of Amboy Shopping Center, Clark and Diversey and A&P Shopping Plaza as well as Fund II acquisitions of 161st Street in New York and a leasehold interest in Chicago ("2005/2006 Acquisitions").

Common area maintenance ("CAM") expense reimbursement increased \$0.1 million as a result of the 2005/2006 Acquisitions. Real estate tax reimbursements increased \$0.4 million, primarily as a result of the 2005/2006 Acquisitions as well as general increases in real estate taxes.

Management fee income increased as a result of an increase in management fees related to the acquisition of the Klaff management contract rights in January 2004 and February 2005.

The increase in interest income was attributable to additional interest income on our advances and notes receivable originated in 2005 and 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change	
					\$	%
Operating Expenses:						
Property operating	\$ 3.6	\$ 4.7	\$ (0.8)	\$ 3.9	\$ (0.3)	(8)%
Real estate taxes	2.5	2.3	(0.2)	2.1	0.4	19%
General and administrative	4.8	3.8	—	3.8	1.0	26%
Depreciation and amortization	6.5	6.2	(0.6)	5.6	0.9	16%
Total operating expenses	\$ 17.4	\$ 17.0	\$ (1.6)	\$ 15.4	\$ 2.0	13%

The decrease in property operating expenses was primarily the result of the write-off of abandoned project costs in 2005 and higher bad debt expense in 2005. These decreases were offset by increased property operating expenses following the 2005/2006 Acquisitions.

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

The increase in general and administrative expense was attributable to increased compensation expense of \$0.9 million, including stock-based compensation of \$0.4 million, following the expansion of our infrastructure related to increased activity in Fund assets and asset management services.

Depreciation expense increased \$0.4 million in 2006. This was principally a result of increased depreciation expense following the 2005/2006 Acquisitions. Amortization expense increased \$0.5 million which was primarily the result of the 2005/2006 Acquisitions, specifically, amortization of tenant installation costs of \$0.3 million and amortization of leasehold interest of \$0.2 million.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change	
					\$	%
Other:						
Equity in earnings of unconsolidated affiliates	\$ 3.0	\$ 0.1	\$ 0.4	\$ 0.5	\$ 2.5	500%
Interest expense	(5.7)	(4.4)	1.0	(3.4)	(2.3)	(68)%
Minority interest	0.3	1.1	1.1	2.1	(1.8)	(85)%
Income taxes	(0.4)	—	—	—	(0.4)	(100)%
Income from discontinued operations	0.4	(0.4)	—	(0.4)	0.8	200%

Equity in earnings of unconsolidated affiliates increased primarily as a result of our pro rata share of earnings and gains on sale from its Mervyns investments of \$2.4 million.

Interest expense increased \$2.1 million as a result of higher average outstanding borrowings in 2006, \$0.1 million resulting from higher average interest rates on the portfolio mortgage debt in 2006 as well as lower capitalized interest of \$0.1 million in 2006.

Minority interest variance is attributable to the consolidation of our Fund investments.

Income taxes in 2006 relate to income taxes on our share of the gain, through our investment funds, from the sale of certain Mervyns locations in the second quarter of 2006.

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

RESULTS OF OPERATIONS**Comparison of the six months ended June 30, 2006 (“2006”) to the six months ended June 30, 2005 (“2005”)**

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change	
					\$	%
Revenues:						
Minimum rents	\$ 35.2	\$ 37.6	\$ (6.5)	\$ 31.1	\$ 4.1	13%
Percentage rents	0.3	0.4	(0.1)	0.3	—	—
Expense reimbursements	7.5	7.9	(1.2)	6.7	0.8	12%
Other property income	0.5	0.5	—	0.5	—	—
Management fee income	2.5	1.6	0.3	1.9	0.6	32%
Interest income	3.7	1.3	—	1.3	2.4	185%
Total revenues	\$ 49.7	\$ 49.3	\$ (7.5)	\$ 41.8	\$ 7.9	19%

The increase in minimum rents was attributable to the 2005/2006 Acquisitions and re-tenanting activities and increased occupancy across the portfolio.

Common area maintenance (“CAM”) expense reimbursement increased \$0.1 million as a result of higher tenant reimbursements following the 2005/2006 Acquisitions offset by a decrease in tenant reimbursements as a result of lower snow removal costs in 2006. Real estate tax reimbursements increased \$0.7 million, primarily as a result of the 2005/2006 Acquisitions as well as general increases in real estate taxes and re-tenanting activities throughout the portfolio.

Management fee income increased as a result of an increase in management fees related to the acquisition of the Klaff management contract rights in January 2004 and February 2005.

The increase in interest income was a combination of additional interest income on our advances and notes receivable originated in 2005 and 2006 and additional interest income earned from our investment in Levitz in March 2005.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change	
					\$	%
Operating Expenses:						
Property operating	\$ 7.7	\$ 9.5	\$ (1.7)	\$ 7.8	\$ (0.1)	(1)%
Real estate taxes	5.2	4.9	(0.4)	4.5	0.7	16%
General and administrative	10.1	6.9	—	6.9	3.2	46%
Depreciation and amortization	12.9	12.5	(1.2)	11.3	1.6	14%
Total operating expenses	\$ 35.9	\$ 33.8	\$ (3.3)	\$ 30.5	\$ 5.4	18%

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

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

The increase in general and administrative expense was attributable to increased compensation expense of \$2.8 million to existing and new employees, including stock based compensation of \$1.3 million, and \$0.4 million of other overhead expenses following the expansion of our infrastructure related to increased activity in Fund assets and asset management services.

Depreciation expense increased \$0.7 million in 2006. This was principally a result of increased depreciation expense following the 2005/2006 Acquisitions. Amortization expense increased \$0.9 million which was primarily the result of the 2005/2006 Acquisitions, specifically, loan amortization of \$0.1 million, amortization of tenant installation costs of \$0.4 million and amortization of leasehold interest of \$0.3 million. In addition, amortization expense increased \$0.1 million which was the result of the write off of certain Klaff management contracts following the disposition of these assets in 2005 and 2006.

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change	
					\$	%
Other:						
Equity in earnings of unconsolidated affiliates	\$ 7.1	\$ 0.4	\$ 0.9	\$ 1.3	\$ 5.8	446%
Interest expense	(10.8)	(8.3)	1.9	(6.4)	(4.4)	(69)%
Minority interest	(0.8)	1.3	2.0	3.3	(4.1)	(124)%
Income taxes	(0.8)	—	—	—	(0.8)	(100)%
Income from discontinued operations	0.7	(0.1)	—	(0.1)	0.8	800%

Equity in earnings of unconsolidated affiliates increased primarily as a result of our pro rata share of earnings and gains on sale from its Mervyns investments of \$5.8 million.

Interest expense increased \$4.2 million as a result of higher average outstanding borrowings in 2006, \$0.1 million resulting from higher average interest rates on the portfolio mortgage debt in 2006 as well as lower capitalized interest of \$0.1 million in 2006.

Minority interest variance is attributable to the consolidation of our Fund investments.

Income taxes in 2006 relate to income taxes on our share of the gain, through our investment funds, from the sale of certain Mervyns locations during the six months ended June 30, 2006.

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

Funds from Operations

We consider funds from operations (“FFO”) as defined by the National Association of Real Estate Investment Trusts (“NAREIT”) to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing 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 depreciated 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. It 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.

Consistent with the NAREIT definition, we define FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The reconciliation of net income to FFO for the three and six months ended June 30, 2006 and 2005 is as follows:

(dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net income	\$ 4.8	\$ 4.3	\$ 9.2	\$ 8.8
Depreciation of real estate and amortization of leasing costs (net of minority interests' share)				
Wholly-owned and consolidated partnerships	5.3	3.4	10.3	7.0
Unconsolidated partnerships	.4	.6	.8	1.2
Income attributable to Minority interest in Operating Partnership (1)	.1	.1	.2	.2
Gain on sale (net of minority share and income taxes)	(.4)	—	(.8)	—
Funds from operations	\$ 10.2	\$ 8.4	\$ 19.7	\$ 17.2
Cash flows provided by (used in):				
Operating activities			\$ 24,145	\$ 10,833
Investing activities			\$ (73,544)	\$ (62,515)
Financing activities			\$ 13,115	\$ 72,358

Notes:

(1) Does not include distributions paid to Series A and B Preferred OP Unitholders.

USES OF LIQUIDITY

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

Reference is made to Note 1 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Funds I and II and Mervyns I and II.

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 quarter ended June 30, 2006, we paid a quarterly dividend of \$0.1850 per Common Share and Common OP Unit on July 14, 2006.

Fund I and Mervyns I

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

Following the recapitalization of the Brandywine Portfolio, there are 32 assets comprising approximately 2 million square feet remaining in Fund I, in which our interest in cash flow and income has increased from 22.2% to 37.8% as a result of the Promote as follows:

Shopping Center	Location	Year acquired	GLA
<u>New York Region</u>			
<i>New York</i>			
Tarrytown Shopping Center	Westchester	2004	35,291
<u>Mid-Atlantic Region</u>			
<i>South Carolina</i>			
Hitchcock Plaza	Aiken	2004	233,886
Pine Log Plaza	Aiken	2004	35,064
<i>Virginia</i>			
Haygood Shopping Center	Virginia Beach	2004	165,451
<u>Midwest Region</u>			
<i>Ohio</i>			
Amherst Marketplace	Cleveland	2002	79,945
Granville Centre	Columbus	2002	134,997
Sheffield Crossing	Cleveland	2002	112,534
<i>Michigan</i>			
Sterling Heights Shopping Center	Detroit	2004	154,838
<u>Various Regions</u>			
Kroger/Safeway Portfolio	Various	2003	1,018,100
Total			1,970,106

In addition, we, along with the investors have invested in Mervyns as discussed further below.

Fund II and Mervyns II

To date, Fund II’s primary investment focus has been in the New York Urban/Infill Redevelopment Initiative and the Retailer Controlled Property Venture.

Retailer Controlled Property Venture (“RCP Venture”)

On January 27, 2004, along with our investors in Funds I and II, we entered into the RCP Venture with Klaff Realty, L.P. (“Klaff”) and Klaff’s long time capital partner Lubert-Adler Management, Inc. (“Lubert-Adler”) for the purpose of making investments in retailers or surplus or underutilized properties owned by retailers. The initial size of the RCP Venture is expected to be approximately \$300.0 million in equity based on anticipated investments of approximately \$1.0 billion. Each participant in the RCP Venture has the right to opt out of any potential investment. Each investment through the RCP Venture is a separate joint venture as it potentially involves different investment consortium partners. As of June 30, 2006, affiliates of Funds I and II (including us) have invested a total of \$45.8 million in the RCP Venture. Fund II anticipates investing the remaining portion of the original 20% of the equity of the RCP Venture. Cash flow is to be distributed to the partners until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff and 80% to the partners (including Klaff). We will also earn market-rate fees for property management, leasing and construction services on behalf of the RCP Venture.

During September of 2004, we made our first RCP Venture investment with our participation in the acquisition of Mervyns. Affiliates of Fund I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyns through the RCP Venture, which, as part of an investment consortium with Sun Capital and Cerberus, acquired Mervyns from Target Corporation. The total acquisition price was approximately \$1.2 billion subject to debt of approximately \$800.0 million. Affiliates of Funds I and II invested a total of \$24.6 million on a non-recourse basis. Our share of equity amounted to \$5.2 million. During 2005, the consortium sold a portion of the portfolio as well as refinanced existing mortgage debt and distributed cash to the investors, of which a total of \$42.7 million was distributed to affiliates of Fund I and Fund II of which our share amounted to \$10.2 million. During the six months ended June 30, 2006, the consortium distributed an additional \$3.4 million to affiliates of Fund I and Fund II of which \$1.0 million was our share.

During June of 2006, the RCP Venture made its second investment with its participation in the acquisition of Albertson's. Affiliates of Fund II, through the same limited liability companies which were formed for the investment in Mervyns, invested \$21.2 million in the acquisition of Albertson's through the RCP Venture, along with others as part of an investment consortium. Our share of the invested capital was \$4.2 million.

New York Urban Infill Redevelopment Initiative

In September of 2004, we, through Fund II, launched our New York Urban Infill Redevelopment initiative. As retailers continue to recognize that many of the nation's urban markets are underserved from a retail standpoint, Fund II's intent is to capitalize on this trend by investing in redevelopment projects in dense urban areas where retail tenant demand has effectively surpassed the supply of available sites. During 2004, Fund II, together with an unaffiliated partner, P/A Associates, LLC ("P/A"), formed Acadia-P/A Holding Company, LLC ("Acadia-P/A") for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A has agreed to invest 10% of required capital up to a maximum of \$2.0 million and Fund II, the managing member, has agreed to invest the balance to acquire assets in which Acadia-P/A agrees to invest. Operating cash flow is generally to be distributed pro-rata to Fund II and P/A until each has received a 10% cumulative return and then 60% to Fund II and 40% to P/A. Distributions of net refinancing and net sales proceeds, as defined, follow the distribution of operating cash flow except that unpaid original capital is returned before the 60%/40% split between Fund II and P/A, respectively. Upon the liquidation of the last property investment of Acadia-P/A, to the extent that Fund II has not received an 18% internal rate of return ("IRR") on all of its capital contributions, P/A is obligated to return a portion of its previous distributions, as defined, until Fund II has received an 18% IRR. To date, Fund II has, in conjunction with P/A, invested in seven projects through Fund II as follows:

Property	Location	Year acquired	Purchase price	Redevelopment (\$ in millions)		
				Anticipated additional costs	Estimated completion	Square feet upon completion
Liberty Avenue (1)	Queens	2005	\$ —	\$ 15.0	1st half 2007	125,000
216th Street	Manhattan	2005	7.0	17.0	1st half 2007	60,000
Pelham Manor Shopping Center (1)	Westchester	2004	—	35.0	1st half 2008	325,000
Canarsie Plaza (2)	Brooklyn	2006	—	55.0	2nd half 2008	300,000
161st Street	Bronx	2005	49.0	21.0	2nd half 2008	225,000
400 East Fordham Road	Bronx	2004	30.0	70.0	1st half 2009	270,000
4650 Broadway	Manhattan	2005	25.0	30.0	2nd half 2009	175,000
Total			\$ 111.0	\$ 243.0		1,480,000

Notes:

- (1) Fund II acquired a ground lease interest at this property.
- (2) Closing is anticipated in 2006, although such closing cannot be assured.

Other Investments

During January 2006, we closed on a 20,000 square foot retail building in the Lincoln Park district in Chicago. The property was acquired from an affiliate of Klaff for \$9.8 million. Tenants include Starbucks, Nine West, Vitamin Shoppe, The Body Shop, Papyrus and Cold Stone Creamery.

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

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

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

On June 1, 2006, we converted the Preferred Equity Investment to a mortgage loan and advanced additional proceeds bringing the total outstanding amount to \$31.3 million. The loan has a maturity date of May 31, 2008 and has an interest rate of 10.5%. The loan is secured by fee and leasehold mortgages as well as a pledge of the entities owning 19 of the above remaining locations totaling 1.8 million square feet. Although Levitz Furniture is currently operating under Chapter 11 bankruptcy protection, we believe the underlying value of the real estate is sufficient to recover the principal and interest due under the mortgage.

Property Development, Redevelopment and Expansion

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment. During the six months ended June 30, 2006, we did not undertake any significant redevelopment projects within our core portfolio.

Additionally, for the year ending December 31, 2006, we currently estimate that capital outlays of approximately \$5.0 million to \$7.0 million will be required for tenant improvements, related renovations and other property improvements.

Share Repurchase

The repurchase of our Common Shares has historically been an additional use of liquidity. We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of our outstanding Common Shares. Through May 5, 2006, we had repurchased 2.1 million Common Shares at a total cost of \$11.7 million of which 2.0 million of these Common Shares have been subsequently reissued. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. There were no Common Shares repurchased by us during the quarter ended June 30, 2006.

SOURCES OF LIQUIDITY

We intend on using the Company and Fund II as the primary vehicles for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Sources of capital for funding our joint venture commitments, other property acquisitions, redevelopment, expansion and re-tenanting, as well as future repurchases of Common Shares are expected to be obtained primarily from issuance of public equity or debt instruments, cash on hand, additional debt financings and future sales of existing properties. As of June 30, 2006, we had a total of approximately \$43.0 million of additional capacity under our three existing debt facilities, \$82.1 million under two existing debt facilities in Fund II, cash and cash equivalents on hand, inclusive of balances in Funds I and II, of \$55.1 million. We anticipate that cash flow from operating activities will continue to provide adequate capital for all of our debt service payments, recurring capital expenditures and REIT distribution requirements.

Financing

At June 30, 2006, mortgage notes payable aggregated \$361.9 million, including net valuation adjustment of debt at date of acquisition of \$2.3 million, and were collateralized by 33 properties and related tenant leases. Interest rates on our outstanding mortgage indebtedness ranged from 5.0% to 8.5% with maturities that ranged from July 2007 to November 2032. Taking into consideration \$91.4 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$303.7 million of the portfolio, or 84%, was fixed at a 5.8% weighted average interest rate and \$55.9 million, or 16% was floating at a 6.8% weighted average interest rate. There is \$0 and \$54.9 million of debt scheduled to mature in 2006 and 2007, respectively, at weighted average interest rates of 6.3% for 2007. We will need to refinance this indebtedness or select other alternatives based on market conditions at that time.

The following summarizes the financing and refinancing transactions since December 31, 2005:

On January 12, 2006, in conjunction with the purchase of a property, we assumed a loan of \$3.8 million which bears interest at a fixed rate of 8.5%.

On January 18, 2006, we drew an additional \$1.8 million on an existing credit facility. On April 21, 2006, we paid down \$15.0 million on this existing credit facility. On June 1, 2006, we drew an additional \$19.2 million on this facility. On June 22, 2006 we paid off the entire existing balance of \$30.4 million .

On January 24, 2006, in conjunction with the purchase of a partnership interest, we assumed a loan of \$8.7 million which bears interest at a fixed rate of 6.4%.

On February 22, 2006, we financed a property within its existing portfolio for \$20.5 million. This loan bears interest at a fixed rate of 5.4%. A portion of the proceeds were used to pay down \$10.9 million on an existing credit facility.

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

On May 31, 2006, we borrowed an additional \$13.0 million on an existing \$65.0 million revolving credit facility. This additional draw was repaid on June 30, 2006. The remaining existing balance as of June 30, 2006 is \$22.0 million.

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

The following table summarizes our mortgage indebtedness as of June 30, 2006 and December 31, 2005:

(dollars in millions)	June 30, 2006	December 31, 2005	Interest Rate at June 30, 2006	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable – variable-rate						
Bank of America, N.A.	\$ 22.0	\$ 22.0	6.65% (LIBOR + 1.30%)	6/1/2010	(1)	(29)
Washington Mutual Bank, FA	23.4	23.7	6.85% (LIBOR + 1.50%)	4/1/2011	(2)	(28)
Bank of America, N.A.	33.6	44.5	6.75% (LIBOR + 1.40%)	6/29/2012	(3)	(31)
Bank of America, N.A.	10.0	10.0	6.75% (LIBOR + 1.40%)	6/29/2012	(4)	(28)
RBS Greenwich Capital	30.0	—	6.75% (LIBOR + 1.40%)	4/1/2008	(5)	(29)
Bank of America, N.A.	4.9	4.9	6.60% (LIBOR + 1.25%)	12/31/2008	(6)	(29)
JP Morgan Chase.	5.5	5.6	7.35% (LIBOR + 2.00%)	10/5/2007	(7)	(28)
Bank of China, New York Branch	18.0	18.0	7.10% (LIBOR + 1.75%)	11/1/2007	(8)	(29)
Bank of America, N.A.	0	24.4	6.10% (LIBOR + 1.75%)	3/1/2008	(9)	(29)
Bank of America, N.A.	—	12.1	6.07% (LIBOR + 1.50%)	2/1/2006	(5)	(29)
Interest rate swaps	(91.4)	(92.4)				
Total variable-rate debt	56.0	72.8				
Mortgage notes payable – fixed-rate						
Sun America Life Insurance Company	12.8	12.9	6.46%	7/1/2007	(10)	(28)
Bank of America, N.A.	15.8	15.9	7.55%	1/1/2011	(11)	(28)
RBS Greenwich Capital	15.8	15.9	5.19%	6/1/2013	(12)	(32)
RBS Greenwich Capital	15.0	15.0	5.64%	9/6/2014	(13)	(33)
RBS Greenwich Capital	17.6	17.6	4.98%	9/6/2015	(14)	(34)
RBS Greenwich Capital	12.5	12.5	5.12%	11/6/2015	(15)	(35)
Bear Stearns Commercial	34.6	34.6	5.53%	1/1/2016	(16)	(36)
Bear Stearns Commercial	20.5	—	5.44%	3/1/2016	(17)	(29)
LaSalle Bank, N.A.	3.8	—	8.50%	4/11/2028	(18)	(28)
GMAC Commercial	8.6	—	6.40%	11/1/2032	(19)	(28)
Column Financial, Inc.	10.1	—	5.45%	6/11/2013	(20)	(28)
Bank of China	19.0	19.0	5.26%	9/1/2007	(21)	(29)
Cortlandt Deposit Corp	7.4	9.9	6.62%	2/1/2009	(22)	(37)
Cortlandt Deposit Corp	7.3	9.8	6.51%	1/15/2009	(23)	(37)
The Ohio National Life Insurance Co.	4.6	4.7	8.20%	6/1/2022	(24)	(28)
Canada Life Insurance Company	6.8	6.9	8.00%	1/1/2023	(25)	(28)
UBS Warburg Real Estate	—	30.0	4.69%	2/11/2008	(26)	(29)
UBS Warburg Real Estate	—	21.0	7.01%	7/11/2012	(26)	(28)
UBS Warburg Real Estate	—	16.0	7.32%	6/11/2012	(27)	(28)
Interest rate swaps	91.4	92.4	5.77%	(38)		
Total fixed-rate debt	303.6	334.1				
Total fixed and variable debt	359.6	406.9				
Valuation of debt at date of acquisition, net of amortization	2.3	4.1				
Total	\$ 361.9	\$ 411.0				

Notes:

- (1) Bloomfield Town Square
Walnut Hill Plaza
Hobson West Plaza
Marketplace of Absecon
Village Apartments
\$22,000 is outstanding under this \$65,000 revolving facility
- (2) Ledgewood Mall
- (3) Abington Towne Center
Branch Shopping Center
Methuen Shopping Center
Town Line Plaza
- (4) Smithtown Shopping Center
- (5) 244-268 161st Street
- (6) 216th Street
- (7) Granville Center
- (8) 400 East Fordham Road
- (9) Acadia Strategic Acquisition Fund II, LLC
- (10) Merrillville Plaza
- (11) GHT Apartments/Colony Apartments
- (12) 239 Greenwich Avenue
- (13) New Loudon Center
- (14) Crescent Plaza
- (15) Pacesetter Park Shopping Center
- (16) Elmwood Park Shopping Center
- (17) Gateway Shopping Center
- (18) Clark-Diversey
- (19) Boonton
- (20) Chestnut Hill
- (21) Sherman Avenue
- (22) Kroger Portfolio
- (23) Safeway Portfolio
- (24) Amherst Marketplace
- (25) Sheffield Crossing
- (26) Brandywine Town Center
- (27) Market Square Shopping Center
- (28) Monthly principal and interest.
- (29) Interest only monthly.
- (30) Interest only monthly until fully drawn; monthly principal and interest thereafter.
- (31) Annual principal and monthly interest.
- (32) Interest only monthly until 5/05; monthly principal and interest thereafter.
- (33) Interest only monthly until 9/06; monthly principal and interest thereafter.
- (34) Interest only monthly until 9/10; monthly principal and interest thereafter.
- (35) Interest only monthly until 11/08; monthly principal and interest thereafter.
- (36) Interest only monthly until 1/10; monthly principal and interest thereafter.
- (37) Annual principal and interest payments.
- (38) Maturing between 10/1/08 and 1/1/11.

Financing – Investments

During June of 2006, we and GDC refinanced the Brandywine Portfolio for \$166.2 million. Of the proceeds, \$30.0 million were used to repay existing mortgage debt, \$18.2 million to repay our bridge financing, \$45.3 million to repay bridge financing from the other Fund I investors and \$72.0 million distributed to us and GDC. Including the repayment of our bridge financing with interest, our distribution from this financing totaled \$34.2 million.

Asset Sales

Historically, asset sales have been an additional source of our liquidity. We continually review our portfolio to identify non-core assets. We are marketing the Soundview Marketplace and Bradford Towne Centre for sale. We intend to defer the entire taxable gain which will be realized from these transactions by utilizing the provisions of Section 1031 of the Internal Revenue Code of 1986, as amended. If we are unable to defer such gain, it is possible we would either distribute part or all of the gain to our shareholders.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At June 30, 2006, maturities on our mortgage notes ranged from July 2007 to November 2032. In addition, we have non-cancelable ground leases at five of our shopping centers. We also lease space for our White Plains corporate office for a term expiring in 2010. The following table summarizes our debt maturities and obligations under non-cancelable operating leases of June 30, 2006:

(dollars in millions)	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Future debt maturities	\$ 359.6	\$ 1.3	\$ 104.3	\$ 49.7	\$ 204.3
Interest obligations on debt	128.5	11.1	39.5	29.7	48.2
Operating lease obligations	22.9	1.1	3.0	2.9	15.9
Total	\$ 511.0	\$ 13.5	\$ 146.8	\$ 82.3	\$ 268.4

OFF BALANCE SHEET ARRANGEMENTS

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

We own a 49% interest in Crossroads. Our pro rata share of Crossroads mortgage debt as of June 30, 2006 was \$31.4 million. This fixed-rate debt bears interest at 5.4% and matures in December 2014.

We own a 22.2% investment in various entities which own the Brandywine Portfolio. Our pro-rata share of Brandywine debt as of June 30, 2006, was \$36.9 million with a fixed interest rate of 5.99%. These loans mature on July 1, 2016.

We also have 50% interests in two Fund I investments of which our pro-rata share of mortgage debt (also net of the Fund I minority interest share) as of June 30, 2006, was \$2.6 million with a weighted average interest rate of 6.99%. Both of these loans mature during August 2010.

HISTORICAL CASH FLOW

The following discussion of historical cash flow compares our cash flow for the six months ended June 30, 2006 ("2006") with our cash flow for the six months ended June 30, 2005 ("2005").

Cash and cash equivalents were \$55.1 million and \$36.7 million at June 30, 2006 and 2005, respectively. The increase of \$18.4 million was a result of the following increases and decreases in cash flows:

(dollars in millions)	Six months ended June 30,		
	2006	2005	Change
Net cash provided by operating activities	\$ 24.1	\$ 10.8	\$ 13.3
Net cash used in investing activities	\$ (73.5)	\$ (62.5)	\$ (11.0)
Net cash provided by financing activities	\$ 13.1	\$ 72.4	\$ (59.3)

The variance in net cash provided by operating activities resulted from an increase of \$4.6 million in operating income in 2006, after adjustments for non-cash expenses, which was primarily due to those factors discussed within Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations. In addition, a net increase in cash of \$8.7 million resulted from changes in operating assets and liabilities.

The increase in net cash used in investing activities was primarily the result of the \$21.2 million investment in Albertson's during 2006 and a \$17.6 million increase in cash used for real estate acquisitions, development and tenant installations during 2006. These decreases were offset by a \$26.3 million of additional return of capital from unconsolidated partnerships in 2006, primarily from our investment in the Brandywine Portfolio.

The increase in net cash used in financing activities resulted primarily from \$34.2 million of distributions to minority interests in partially owned affiliates in 2006, primarily relating to the Mervyns investment, and \$26.4 million of additional cash used for the net repayment of debt in 2006.

INFLATION

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. We are a party to current and forward-starting interest rate swap and cap transactions to hedge our exposure to changes in LIBOR with respect to \$91.4 million, \$24.5 million and \$30.0 million of notional principal, respectively.

The following table sets forth information as of June 30, 2006 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts:

Consolidated mortgage debt:

(dollars in millions)

Year	Scheduled Amortization	Maturities	Total	Weighted average interest rate
2006	\$ 1.3	\$ —	\$ 1.3	n/a
2007	7.3	54.9	62.2	6.34%
2008	7.2	34.9	42.1	6.73%
2009	7.4	—	7.4	n/a
2010	5.6	36.7	42.3	7.01%
Thereafter	38.2	166.1	204.3	5.87%
	<u>\$ 67.0</u>	<u>\$ 292.6</u>	<u>\$ 359.6</u>	

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

(dollars in millions)

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2006	\$ —	\$ —	\$ —	n/a
2007	0.4	—	0.4	n/a
2008	0.4	—	0.4	n/a
2009	0.5	—	0.5	n/a
2010	0.5	2.5	3.0	6.99%
Thereafter	2.2	64.3	66.5	5.84%
	<u>\$ 4.0</u>	<u>\$ 66.8</u>	<u>\$ 70.8</u>	

Of our total outstanding debt, \$54.9 million will become due in 2007. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately \$0.5 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable debt as of June 30, 2006 would increase by \$0.6 million for a 100 basis point increase in LIBOR on our \$56.0 million of floating rate debt after taking into account the effect of interest rate swaps which hedge such debt. 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.* The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), as amended as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

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

Part II. Other Information**Item 1. Legal Proceedings**

There have been no material legal proceedings beyond those previously disclosed in the Company's filed Annual Report on Form 10-K for the year ended December 31, 2005.

Item 1A. Risk Factors

There have been no material changes in risk factors beyond those previously disclosed in the Company's filed Annual Report on Form 10-K for the year ended December 31, 2005.

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

None

Item 3. Defaults Upon Senior Securities

None

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

On May 15, 2006, we held our annual meeting of shareholders. The shareholders voted, in person or by proxy for the following proposals. The results of the voting are shown below:

Proposal 1 -

Election of Trustees:

	Votes Cast For	Votes Withheld
Kenneth F. Bernstein	28,052,097	267,204
Douglas Crocker II	27,974,566	344,735
Alan S. Forman	27,914,966	404,335
Suzanne M. Hopgood	27,367,472	951,829
Lorrence T. Kellar	27,307,072	1,012,229
Wendy Luscombe	27,974,666	344,635
Lee S. Wielansky	27,436,454	882,847

Proposal 2 -

Approve the 2006 Share Incentive Plan:

Votes Cast For	Votes Against	Abstain
21,298,346	3,958,956	3,830

Proposal 3 -

Approve Amendment to Declaration of Trust to Eliminate the 4% Excess Share Provision:

Votes Cast For	Votes Against	Abstain
25,210,695	46,174	4,263

Proposal 4 -

The ratification of the appointment of BDO Seidman, LLP as the Independent Registered Public Accounting Firm for the Company for the fiscal year ending December 31, 2006:

Votes Cast For	Votes Against	Abstain
27,184,067	11,253	230

Proposal 5 -

The Adjournment or Postponement of the Annual Meeting, if necessary:

Votes Cast For	Votes Against	Abstain
15,109,530	12,002,928	83,092

Item 5. Other Information

None

Part II. Other Information

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (4)
3.3	Amended and Restated By-Laws of the Company (22)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (14)
10.1	1999 Share Option Plan (8) (20)
10.2	2003 Share Option Plan (16) (20)
10.3	Form of Share Award Agreement (17) (21)
10.4	Form of Registration Rights Agreement and Lock-Up Agreement (18)
10.5	Registration Rights and Lock-Up Agreement (RD Capital Transaction) (11)
10.6	Registration Rights and Lock-Up Agreement (Pacesetter Transaction) (11)
10.7	Contribution and Share Purchase Agreement dated as of April 15, 1998 among Mark Centers Trust, Mark Centers Limited Partnership, the Contributing Owners and Contributing Entities named therein, RD Properties, L.P. VI, RD Properties, L.P. VIA and RD Properties, L.P. VIB (9)
10.8	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, L.P. and Klaff Realty, Limited (18)
10.9	Employment agreement between the Company and Kenneth F. Bernstein (6) (21)
10.11	Amendment to employment agreement between the Company and Kenneth F. Bernstein (18) (21)
10.12	First Amendment to Employment Agreement between the Company and Kenneth Bernstein dated as of January 1, 2001 (12) (21)
10.14	Letter of employment offer between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.15	Severance Agreement between the Company and Joel Braun, Sr. Vice President, dated April 6, 2001 (13) (21)
10.16	Severance Agreement between the Company and Joseph Hogan, Sr. Vice President, dated April 6, 2001 (13) (21)
10.17	Severance Agreement between the Company and Joseph Napolitano, Sr. Vice President dated April 6, 2001 (18) (21)
10.18	Severance Agreement between the Company and Robert Masters, Sr. Vice President and General Counsel dated January 2001 (18) (21)
10.19	Severance Agreement between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.20	Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000 (7)
10.21	Promissory Note between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.22	Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.23	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999 (7)
10.24	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 21, 1999 (7)
10.25	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999 (7)
10.26	Amended and Restated Mortgage Note between Port Bay Associates, LLC and Fleet Bank, N.A. dated July 19, 2000 (3)
10.27	Mortgage and Security Agreement between Port Bay Associates, LLC and Fleet Bank, N.A. dated July 19, 2000 (10)
10.28	Mortgage Note between Port Bay Associates, LLC and Fleet Bank, N.A. dated December 1, 2003 (18)
10.29	Mortgage and Security Agreement, and Assignment of Leases and Rents between Port Bay Associates, LLC and Fleet Bank, N.A. dated

December 1, 2003 (18)

- 10.30 Note Modification Agreement between Port Bay Associates, LLC and Fleet Bank, N.A. dated December 1, 2003 (18)
- 10.31 Amended and Restated Promissory Note between Acadia Realty L.P. and Metropolitan Life Insurance Company for \$25.2 million dated October 13, 2000 (10)
- 10.32 Amended and Restated Mortgage, Security Agreement and Fixture Filing between Acadia Realty L.P. and Metropolitan Life Insurance Company dated October 13, 2000 (10)
- 10.33 Term Loan Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
- 10.34 Mortgage Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
- 10.35 Promissory Note between RD Whitegate Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
- 10.36 Promissory Note between RD Columbia Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
- 10.37 Term Loan Agreement dated as of December 28, 2001, among Fleet National Bank and RD Branch Associates, L.P., et al (13)
- 10.38 Term Loan Agreement dated as of December 21, 2001, among RD Woonsocket Associates Limited Partnership, et al. and The Dime Savings Bank of New York, FSB (13)
- 10.39 Option Extension of Term Loan as of December 19, 2003 between RD Woonsocket Associates Limited Partnership, et al. and Washington Mutual Bank, FA (18)
- 10.40 Revolving Loan Promissory Note dated as of November 22, 2002, among RD Elmwood Associates, L.P. and Washington Mutual Bank, FA (15)
- 10.41 Revolving Loan Agreement dated as of November 22, 2002, among RD Elmwood Associates, L.P. and Washington Mutual Bank, FA (15)
- 10.42 Mortgage Agreement dated as of November 22, 2002, among RD Elmwood Associates, L.P. and Washington Mutual Bank, FA (15)
- 10.43 Note Modification Agreement between RD Elmwood Associates, L.P. and Washington Mutual Bank, FA dated December 19, 2003 (18)
- 10.44 Prospectus Supplement Regarding Options Issued under the Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan (19) (21)
- 10.45 Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form (19) (21)
- 10.46 Amended, Restated And Consolidated Promissory Note between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
- 10.47 Amended, Restated And Consolidated Mortgage, Assignment Of Leases And Rents And Security Agreement between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
- 10.48 Amended and Restated Term Loan Agreement between Fleet National Bank and Heathcote Associates, L.P., Acadia Town Line, LLC, RD Branch Associates, L.P., RD Abington Associates Limited Partnership, And RD Methuen Associates Limited Partnership dated September 30, 2004 (19)

<u>Exhibit No.</u>	<u>Description</u>
10.49	Mortgage Modification Agreement between Fleet National Bank and Acadia Town Line, LLC dated September 30, 2004 (19)
10.49a	Mortgage Modification Agreement between Fleet National Bank and Heathcote Associates, L.P. dated September 30, 2004 (19)
10.49b	Mortgage Modification Agreement between Fleet National Bank and RD Branch Associates dated September 30, 2004 (19)
10.49c	Mortgage Modification Agreement between Fleet National Bank and RD Methuen Associates dated September 30, 2004 (19)
10.49d	Mortgage Modification Agreement between Fleet National Bank and RD Abington Associates Limited Partnership dated September 30, 2004 (19)
10.50	Revolving Loan Agreement between Fleet National Bank and The Bank of China and RD Absecon Associates, L.P., RD Bloomfield Associates, L.P., RD Hobson Associates, L.P., RD Village Associates, L.P., and RD Woonsocket Associates L.P. dated May 26, 2005 (22)
10.51	Mortgage, Assignment of Leases and Rents and Security Agreement between Acadia Crescent Plaza, LLC and Greenwich Capital Financial Products, Inc. dated August 31, 2005 (22)
10.52	Mortgage, Assignment of Leases and Rents and Security Agreement between Pacesetter/Ramapo Associates and Greenwich Capital Financial Products, Inc. dated October 17, 2005 (22)
10.53	Loan Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
10.54	Mortgage and Security Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
10.55	Agreement and Plan Of Merger Dated as of December 22, 2005 by and among Acadia Realty Acquisition I, LLC, Ara Btc LLC, ARA MS LLC, ARA BS LLC, ARA BC LLC and ARA BH LLC, Acadia Investors, Inc., AII BTC LLC, AII MS LLC, AII BS LLC, AII BC LLC And AII BH LLC, Samuel Ginsburg 2000 Trust Agreement #1, Martin Ginsburg 2000 Trust Agreement #1, Martin Ginsburg, Samuel Ginsburg and Adam Ginsburg, and GDC SMG, LLC, GDC Beechwood, LLC, Aspen Cove Apartments, LLC and SMG Celebration, LLC (23)
10.56	Amended and Restated Loan Agreement between Acadia Realty Limited Partnership, as lender, and Levitz SL Woodbridge, L.L.C., Levitz SL St. Paul, L.L.C., Levitz SL La Puente, L.L.C., Levitz SL Oxnard, L.L.C., Levitz SL Willowbrook, L.L.C., Levitz SL Northridge, L.L.C., Levitz SL San Leandro, L.L.C., Levitz SL Sacramento, L.L.C., HL Brea, L.L.C., HL Deptford, L.L.C., HL Hayward, L.L.C., HL San Jose, L.L.C., HL Scottsdale, L.L.C., HL Torrance, L.L.C., HL Irvine 1, L.L.C., HL West Covina, L.L.C., HL Glendale, L.L.C. and HL Northridge, L.L.C., each a Delaware limited liability company, Levitz SL Langhorne, L.P. and HL Fairless Hills, L.P., each a Delaware limited partnership (each, together with its permitted successors and assigns, a “Borrower”, and collectively, together with their respective permitted successors and assigns, “Borrowers”), dated June 1, 2006 (24)
10.57	Consent and Assumption Agreement between Thor Chestnut Hill, LP, Thor Chestnut Hill II, LP, Acadia Chestnut, LLC, Acadia Realty Limited Partnership and Wells Fargo Bank, N.A. dated June 9, 2006, original Mortgage and Security Agreement between Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP and Column Financial, Inc. dated June 5, 2003 and original Assignment of Leases and Rents from Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP to Column Financial, Inc. dated June 2003. (24)
21	List of Subsidiaries of Acadia Realty Trust (22)
23.1	Consent of Registered Public Accounting Firm to Form S-3 and Form S-8 (22)
23.2	Consent of former Registered Public Accounting Firm to Form S-3 and Form S-8 (22)
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 (24)
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 (24)
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 (24)
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 (24)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (2)
99.6	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited

Notes:

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

SIGNATURES

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

ACADIA REALTY TRUST

August 9, 2006	/s/ Kenneth F. Bernstein Kenneth F. Bernstein President and Chief Executive Officer (Principal Executive Officer)
August 9, 2006	/s/ Michael Nelsen Michael Nelsen Senior Vice President and Chief Financial Officer (Principal Financial Officer)

AMENDED AND RESTATED

LOAN AGREEMENT

Dated as of June 1, 2006

Between

Borrowers (as defined herein)

And

ACADIA REALTY LIMITED PARTNERSHIP,

as Lender

TO BE REVIEWED

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AMENDED AND RESTATED

LOAN AGREEMENT

AMENDED AND RESTATED LOAN AGREEMENT dated as of June 1, 2006 between Levitz SL Woodbridge, L.L.C., Levitz SL St. Paul, L.L.C., Levitz SL La Puente, L.L.C., Levitz SL Oxnard, L.L.C., Levitz SL Willowbrook, L.L.C., Levitz SL Northridge, L.L.C., Levitz SL San Leandro, L.L.C., Levitz SL Sacramento, L.L.C., HL Brea, L.L.C., HL Deptford, L.L.C., HL Hayward, L.L.C., HL San Jose, L.L.C., HL Scottsdale, L.L.C., HL Torrance, L.L.C., HL Irvine 1, L.L.C., HL West Covina, L.L.C., HL Glendale, L.L.C. and HL Northridge, L.L.C., each a Delaware limited liability company, Levitz SL Langhorne, L.P. and HL Fairless Hills, L.P., each a Delaware limited partnership (each, together with its permitted successors and assigns, a "BORROWER", and collectively, together with their respective permitted successors and assigns, "BORROWERS"), and ACADIA REALTY LIMITED PARTNERSHIP, a Delaware limited partnership (together with its successors and assigns, "LENDER").

RECITALS

WHEREAS, the Borrowers and Greenwich Capital Financial Products, Inc. ("GREENWICH") entered into a certain loan (the "EXISTING LOAN") as described in a certain loan agreement dated June 21, 2002 (the "LOAN AGREEMENT") which was amended by a certain First Amendment dated May 23, 2003, a Second Amendment dated April 30, 2004 and a Third Amendment dated November 16, 2004 (the Loan Agreement with all amendments shall be referred to as the "EXISTING LOAN AGREEMENT"); and

WHEREAS, the principal amount now owing by Borrowers is \$12,980,188.95; and

WHEREAS, LaSalle Bank National Association, as Trustee for the Registered Holders of Greenwich Capital Commercial Funding Corp., Commercial Mortgage Pass-Through Certificates, Series 2004-FL2 by Wachovia Bank, National Association, as Master Servicer (the "TRUSTEE"), assignee of Greenwich, assigned to Lender the Existing Loan Agreement along with the note evidencing the Existing Loan (the "EXISTING NOTE") and all the collateral, including various mortgages and assignments as described in that certain Assignment Agreement dated on or about the date hereof made by the Trustee in favor of Lender (the "EXISTING COLLATERAL"); and

WHEREAS, Lender has agreed to change the principal amount of the Existing Loan to \$30,980,188.95; and

WHEREAS, Borrowers will simultaneously deliver to Lender an Amended and Restated Note in the principal amount of \$31,280,225.74 (the "NOTE"); and

WHEREAS, Lender and Borrowers have agreed to and amend and restate the Existing Loan Agreement as herein set forth;

1. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

1.1 Specific Definitions. The following terms have the meanings set forth below:

ACADIA LEVITZ LLC: a Delaware limited liability company which is wholly owned by Lender and has a senior, preferred equity interest in Levitz SL, L.L.C., a Delaware limited liability company.

AFFILIATE: as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person or is a director or officer of such Person or of an Affiliate of such Person.

AGREEMENT: this Amended and Restated Loan Agreement, as the same may from time to time be modified, supplemented, amended or otherwise changed.

BORROWERS' AGENT: Klaff Realty, LP, a Delaware limited partnership.

BORROWER MEMBER: Levitz SL, L.L.C., a Delaware limited liability company.

BORROWER REPRESENTATIVE: (i) with respect to Levitz SL Langhorne, L.P., Levitz SL-GP L.L.C., a Delaware limited liability company, the sole general partner of such Borrower, and (ii) with respect to HL Fairless Hills, L.P., HL GP, L.L.C., a Delaware limited liability company, the sole general partner of each such Borrower.

BUSINESS DAY: any day other than (i) a Saturday or a Sunday, and (ii) a day on which federally insured depository institutions in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

CODE: the Internal Revenue Code of 1986, as amended and as it may be further amended from time to time, any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

CONTROL: with respect to any Person, either (i) ownership directly or indirectly of 49% or more of all equity interests in such Person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

DEBT: the unpaid Principal, all interest accrued and unpaid thereon and all other sums due to Lender in respect of the Loan or under any Loan Document.

DEFAULT: the occurrence of any event under any Loan Document which, with the giving of notice or passage of time, or both, would be an Event of Default.

DEFAULT RATE: A rate of interest per annum (calculated for the actual number of days elapsed on the basis of a 360-day year) equal to the rate of interest per annum otherwise provided in the Note plus 5%, provided that such interest rate shall in no event exceed the maximum interest rate which Borrowers may by law pay.

ERISA: the Employment Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

ERISA AFFILIATE: all members of a controlled group of corporations and all trades and business (whether or not incorporated) under common control and all other entities which, together with Borrower, are treated as a single employer under any or all of Section 414(b), (C), (m) or (o) of the Code.

FINANCIAL STATEMENTS: (i) statements of operations and retained earnings, statements of cash flow, and balance sheets, (ii) such other financial reports as the subject entity shall routinely and regularly prepare and (iii) such other financial reports as Lender may from time to time reasonably require.

FISCAL YEAR: each twelve month period commencing on January 1 and ending on December 31 during each year of the Term.

GAAP: generally accepted accounting principles in the United States of America as of the date of the applicable financial report.

GOVERNMENTAL AUTHORITY: any court, board, agency, commission, office or authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) now or hereafter in existence.

GUARANTOR: the L-A Guarantors and Klaff Realty, LP, jointly and severally.

GROUND LEASES: the ground leases and other leases identified on Schedule 1 (including the Homelife Leases).

HOMELIFE LEASES: the leases described in items 10 - 20 on Schedule 1.

HOMELIFE PROPERTIES: the leasehold properties that are the subject of the Homelife Leases.

L-A GUARANTORS: Lubert-Adler Real Estate Fund II, L.P. and Lubert-Adler Real Estate Parallel Fund II, L.P, jointly and severally.

LEASES: all leases and other agreements or arrangements heretofore or hereafter entered into affecting the use, enjoyment or occupancy of, or the conduct of any activity upon or in, a Property or any Improvements, including any guarantees, extensions, renewals, modifications or amendments thereof and all additional remainders, reversions and other rights and estates appurtenant thereunder.

LEGAL REQUIREMENTS: statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting any Borrower, any Loan Document or all or part of any Property or the construction, ownership, use, alteration or operation

thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instrument, either of record or known to any Borrower, at any time in force affecting all or part of any Property, including any that may (i) require repairs, modifications or alterations in or to all or part of any Property, or (ii) in any way limit the use and enjoyment thereof.

LEVITZ: PLVTZ, a Delaware limited liability company and assignee of Levitz Furniture Corporation, Levitz Furniture Company of the Midwest, Inc., and Levitz Furniture Company of Washington Realty, Inc.

LEVITZ LEASE: collectively, (A) that certain Unitary Lease dated June 8, 1999 between certain of the Borrowers, as landlord, and Levitz, together with various subsidiaries of Levitz, as tenant, as amended by (i) the First Amendment to Unitary Lease dated October 8, 1999, (ii) the Second Amendment to Unitary Lease dated December 23, 1999, (iii) the Third Amendment to Unitary Lease dated December 29, 1999, (iv) the Fourth Amendment to Unitary Lease dated January 3, 2001, (v) the Fifth Amendment to Unitary Lease dated March 8, 2001, (vi) the Sixth Amendment to Unitary Lease dated May 2, 2001, (vii) the Seventh Amendment to Unitary Lease dated December 13, 2001, (viii) the Eighth Amendment to Unitary Lease dated April 3, 2002, (ix) the Ninth Amendment to Unitary Lease dated April 19, 2002, (x) the Tenth Amendment to Unitary Lease dated May 31, 2002, (xi) the Eleventh Amendment to Unitary Lease dated February 12, 2003, (xii) the Twelfth Amendment to Unitary Lease dated May 22, 2003, (xiii) the Thirteenth Amendment to Unitary Lease dated August 29, 2003, (xiv) the Fourteenth Amendment to Unitary Lease dated May 12, 2004, (xv) the Fifteenth Amendment to Unitary Lease dated May 24, 2004, (xvi) the Sixteenth Amendment to Unitary Lease dated October 31, 2004 and (xvii) the Seventeenth Amendment to Unitary Lease dated April 17, 2006, (B) that certain Agreement dated as of December 13, 2001 between Klaff Realty, LP, on behalf of certain of the Borrowers and their affiliates and Levitz, together with various subsidiaries of Levitz, (C) Agreement dated as of November 12, 2004, among Levitz, certain of the Borrowers and their affiliates and KLA Breuners, LLC, (D) Lease Assignment Agreement dated as of April 17, 2006, between PLVTZ d/b/a Levitz Furniture and certain of the Borrowers and their affiliates and (E) letter dated April 17, 2006, from certain of the Borrowers and their affiliates to Levitz.

LIEN: any mortgage, deed of trust, lien (statutory or otherwise), pledge, hypothecation, easement, restrictive covenant, preference, assignment, security interest or any other encumbrance, charge or transfer of, on or affecting all or part of any Property or any interest therein, or in any Borrower or any Borrower Representative, including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and mechanic's, materialmen's and other similar liens and encumbrances.

LOAN DOCUMENTS: this Agreement and all other documents, agreements and instruments now or hereafter evidencing, securing or delivered to Lender in connection with the Loan, including the following: (i) the Amended and Restated Note made by Borrowers to Lender in the maximum principal amount of the Loan (the "NOTE"), (ii) each Mortgage, Assignment of Leases and Rents and Security Agreement made or hereafter made by a Borrower and each Deed of Trust,

Assignment of Leases and Rents and Security Agreement made or hereafter made by a Borrower to a trustee in favor of Lender and each other similar instrument, each of which covers a Property (collectively, the "MORTGAGES"), (iii) each Assignment of Leases and Rents from a Borrower to Lender (collectively, the "ASSIGNMENTS OF LEASES"), (iv) each Assignment of Agreements from a Borrower to Lender (collectively, the "ASSIGNMENTS OF AGREEMENTS"), (v) each Pledge Agreement made by Borrower Member and/or Borrower Representatives, as applicable, to Lender (collectively, the "PLEDGE AGREEMENTS"), (vi) the Guaranty of Recourse Obligations made by Guarantor for the benefit of Lender; as each of the foregoing may be (and each of the foregoing defined terms shall refer to such documents as they may be) amended, restated, replaced, supplemented or otherwise modified from time to time.

MANAGEMENT AGREEMENT: the provisions of Section 4.7 of the Member LLC Agreement, and any replacement management agreement entered into with the prior approval of Lender.

MANAGEMENT FEES: all fees in the nature of management fees payable to Manager under the Management Agreement.

MANAGER: Acadia D.R. Management, Inc., a Delaware corporation, as assignee of Klaff Realty, L.P., or any successor or assignee, provided that each successor or assignee shall be approved by Lender, which approval shall not be unreasonably withheld.

MATERIAL ADVERSE EFFECT: (i) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of any Borrower, Borrower Member or Guarantor, or (ii) the impairment of the ability of any Borrower or Guarantor to perform its obligations under any Loan Documents, or (iii) the impairment of the ability of Lender to enforce or collect any of the Debt as a result of such material adverse effect. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then occurring events and existing conditions would result in a Material Adverse Effect.

MATERIAL ALTERATION: any alteration affecting structural elements of a Property the cost of which exceeds \$250,000; provided, however, that in no event shall tenant improvement work, or alterations performed as part of a Restoration, or work which the Tenant under the Levitz Lease has a right to perform without the consent of the landlord thereunder, constitute a Material Alteration.

MATERIAL LEASE: as to any Property, all Leases which individually or in the aggregate with respect to the same tenant and its Affiliates (i) constitute more than 5% of such Property's gross leaseable area, (ii) have a gross annual rent of more than 5% of the total annual Rents of such Property or (iii) demise at least one full floor of the Improvements at any such Property. The Levitz Lease shall be deemed to be a Material Lease.

MATURITY DATE: the date on which the final payment of principal of the Amended and Restated Note becomes due and payable as therein provided, whether at the Stated Maturity Date, by declaration of acceleration, or otherwise.

MEMBER LLC AGREEMENT: the Limited Liability Company Agreement of Borrower Member as in effect on the date hereof.

NET PROCEEDS: the gross proceeds of the sale of a Property less only reasonable and customary closing costs (i.e., brokerage, transfer taxes and reasonable attorneys' fees) as reasonably approved by Lender.

PERMITTED ENCUMBRANCES: (i) the Liens created by the Loan Documents, (ii) all Liens and other matters disclosed in the Title Insurance Policy, and in the updated commitments delivered by Borrowers prior to the date hereof, (iii) Liens, if any, for Taxes or all maintenance charges, impositions other than Taxes, and any other charges, including vault charges and license fees for the use of vaults, chutes and similar areas adjoining any Property, now or hereafter levied or imposed against any Property or any part thereof not yet due and payable and not delinquent and (iv) such other title and survey exceptions as Lender approves in writing in Lender's discretion.

PERMITTED TRANSFERS: provided that no Default or Event of Default shall then exist (i) a Lease (or an amendment, extension, modification, waiver or renewal thereof) entered into in accordance with the Loan Documents, (ii) a Special Transfer, provided that Borrowers have delivered (or caused to be delivered) to Lender evidence in writing that the transferee assumes all obligations of Borrowers under the Loan Documents, (iii) a Permitted Encumbrance or (iv) a Transfer of a partnership interest in any Borrower that is a limited partnership by a partner other than any Borrower Representative, or a transfer of a membership interest in a member of any Borrower that is a limited liability company or a transfer of any interest in any Borrower Representative if such Transfer would not cause the transferee to acquire Control of any Borrower or of the Borrower Member or of any Borrower Representative or to increase its direct or indirect interest in any Borrower or in the Borrower Member or in any Borrower Representative to an amount which equals or exceeds 49%. For the purposes of clause (iv) of this definition, the beneficial ownership interests in any Borrower held by Lubert-Adler Real Estate Fund II, L.P. and Lubert-Adler Real Estate Parallel Fund II, L.P. shall be viewed as being held by one entity.

PERSON: any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, any other person or entity, and any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

PLAN: (i) an employee benefit or other plan established or maintained by a Borrower or any ERISA Affiliate or to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions and (ii) which is covered by Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code.

PROPERTIES: collectively, the parcels of real property and Improvements thereon

owned in fee or leased by any Borrower and identified on Schedule 1 hereto; together with all rights pertaining to such real property and Improvements, and all other collateral for the Loan, including but not limited to the property described in the Granting Clauses of the Mortgages.

PROPERTY CONDITION REPORTS: collectively, the Property Condition Assessment Reports for the Properties described on Schedule 8.

RELEASE AMOUNT: 85% of the Net Proceeds for such Property or Properties.

RENTS: all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including all oil and gas or other mineral royalties and bonuses), income, fees, receivables, receipts, revenues, deposits (including security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other payment and consideration of whatever form or nature received by or paid to or for the account of or benefit of a Borrower, Manager or any of their agents or employees from any and all sources arising from or attributable to the Properties and the Improvements, including all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and occupancy of the Properties or rendering of services by a Borrower or Manager and proceeds, if any, from business interruption or other loss of income insurance.

SPECIAL TRANSFER: the sale of all of the Properties in accordance with Section 8.21.

STATE: as to any Property, the state in which such Property is located.

STATED MATURITY DATE: May 31, 2008.

TAXES: all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Properties.

TERM: the entire term of this Agreement, which shall expire upon repayment in full of the Debt and full performance of each and every obligation to be performed by Borrowers pursuant to the Loan Documents (including representations, warranties, covenants and obligations expressly set forth in this Agreement that survive in perpetuity).

TITLE INSURANCE POLICY: a mortgagee title insurance policy by a nationally recognized title insurance company, in form and substance satisfactory to Lender, insuring the Lien of each Mortgage, the premium and charges for which have been paid in full by Borrowers and which has been assigned to Lender by the Trust.

TRANSACTION COSTS: all fees, costs, expenses and disbursements paid or payable by Borrowers or any of them relating to the Loan, including all appraisal fees, legal fees, accounting fees and the costs and expenses described in Section 4.15.

TRANSFER: any sale, conveyance, transfer, lease (including any amendment, extension,

modification, waiver or renewal thereof), assignment, Lien, whether by law or otherwise, of, on, in or affecting (i) all or part of any Property (including any legal or beneficial direct or indirect interest therein, and including any options contained in any Ground Lease), (ii) any direct or indirect interest in a Borrower (including any profit interest), or (iii) any direct or indirect interest in the Borrower Member or in any Borrower Representative.

TRUST: LaSalle Bank National Association, as Trustee for the Registered Holders of Greenwich Capital Commercial Funding Corp., Commercial Mortgage Pass-Through Certificates, Series 2004-FL2 by Wachovia Bank, National Association, as Master Servicer.

WELFARE PLAN: an employee welfare benefit plan, as defined in Section 3(1) of ERISA.

1.2 Principles of Construction. Unless otherwise specified, (i) all references to sections and schedules are to those in this Agreement, (ii) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision, (iii) all definitions are equally applicable to the singular and plural forms of the terms defined, (iv) the word "including" means "including but not limited to," and (v) accounting terms not specifically defined herein shall be construed in accordance with GAAP.

2. GENERAL LOAN TERMS

2.1.1 The Loan. Subject to and upon the terms and conditions of this Agreement, Lender agrees to make a Loan to the Borrowers (the "LOAN") in the amount of \$30,980,180.95 (the "PRINCIPAL"). No amount repaid in respect of the Loan may be reborrowed. The Loan shall mature on the Stated Maturity Date. The Borrowers represent to Lender that (i) there exists no claims by any Borrower against Lender and (ii) there are no offsets, defenses or counterclaims by any Borrower to the payment of any amounts required under the Loan Documents or otherwise to enforcement by the holder of the Loan.

2.1.2 Use of Loan Proceeds. Borrowers shall use the Loan Proceeds to pay off the Existing Note to the Trust, to redeem Acadia Levitz, LLC's Senior Preferred Equity Interest in Levitz SL, L.L.C. and to pay Transaction Costs to the extent of any remaining Loan proceeds.

2.2 Payments.

2.2.1 Taxes. Any and all payments by any Borrower hereunder and under the other Loan Documents shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on Lender's income, and franchise taxes imposed on Lender by the law or regulation of any Governmental Authority (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to in this Section 2.2.1 as "APPLICABLE TAXES"). If any Borrower shall be required by law to deduct any Applicable Taxes from or in respect of any sum payable hereunder to Lender, the following shall apply: (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including

deductions applicable to additional sums payable under this Section 2.2.1), Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Borrowers also agree to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or recordation of, or otherwise with respect to, this Agreement or any other Loan Document ("OTHER TAXES"). Borrowers shall indemnify Lender for the full amount of Applicable Taxes or Other Taxes (including any Applicable Taxes or Other Taxes imposed by any jurisdiction on amounts paid or payable under this Section 2.2.1) paid by Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Applicable Taxes or Other Taxes were correctly or legally asserted. Payments pursuant to this Section 2.2.1 shall be made within ten days after the date Lender makes written demand therefor.

2.3 Loan Repayment.

2.3.1 Repayment. Borrower shall repay the entire outstanding principal balance of the Note in full on the Stated Maturity Date, together with interest thereon to (but excluding) the date of repayment and any other amounts due and owing under the Loan Documents.

2.3.2 Casualty/Condemnation Payment. The Loan is subject to mandatory prepayment in certain instances of Insured Casualty or Condemnation (each a "CASUALTY/CONDEMNATION PREPAYMENT"), in the manner and to the extent set forth in Section 6.4.2. Each Casualty/Condemnation Prepayment shall be made when received by Borrowers and shall be applied as follows in the following order of priority: First, to costs and expenses of Lender (if any), including the Lender's reasonable attorney's fees and disbursements, in connection with such prepayment or reasonably expended by Lender to protect the collateral value of the applicable Property or in connection with the settlement or collection of the Proceeds or Award; Second, to repay the Loan.

2.3.3 Optional Prepayments. Borrowers shall have the right to prepay all or any portion of the Principal in accordance with the provisions of the Note.

2.4 Release of Property. Except as set forth in Section 2.3.3 or in this Section 2.4, no repayment or prepayment shall cause, give rise to a right to require, or otherwise result in, the release of the Lien of any Mortgage or Pledge Agreement.

2.4.1 Release on Payment in Full. Lender shall, upon the written request and at the expense of Borrowers, upon payment in full of the Debt in accordance herewith, release the Lien of the Loan Documents if not theretofore released.

2.4.2 Sale/Refinance of Properties.

2.4.2.1 Release of Property. Lender shall release a Property from the Lien of the Loan Documents upon a sale or refinancing of such Property (or shall release its Lien on a

membership or partnership interest in a Borrower upon such sale or refinancing of the Property owned by such Borrower), provided the following conditions are satisfied:

(a) the subject sale or refinancing is pursuant to an arms' length agreement (it being understood and agreed that any such sale or refinancing shall be deemed to be an arms' length transaction if the consideration being given in connection therewith approximates the fair market value of such Property, as determined by Lender in its reasonable discretion);

(b) Simultaneously with the closing of the subject sale or refinancing, Borrowers make the payments described in clauses (a) through (d) of Section 2.4.2.2;

(c) Both immediately before the closing of such sale or refinancing and immediately thereafter, no Default or Event of Default shall be continuing;

(d) The representations and warranties made by Borrowers in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such sale or refinancing (and after giving effect to such sale or refinancing);

(e) Borrowers shall have given Lender at least 10 days' prior written notice of such sale or refinancing, accompanied by a copy of the applicable contract sale, and all related documents, and drafts of any applicable release documents (which shall be subject to Lender's approval);

(f) Borrowers shall have delivered to Lender a copy of the final closing settlement statement for such sale or refinancing prior to the closing of such sale or refinancing;

(g) Borrowers shall have paid to Lender all costs and expenses (including reasonable attorneys' fees) incurred by Lender in connection with such release; and

(h) Borrowers and Guarantor (the latter only as to any guaranties given or required to be given by Guarantor under this Agreement) shall execute and deliver such documents as Lender may reasonably request to confirm the continued validity of the Loan Documents and the Liens thereof;

2.4.2.2 Application of Sale Proceeds. Notwithstanding anything to the contrary set forth in Section 2.3.1, the gross proceeds of any sale or refinancing made pursuant to this Section 2.4.2 shall be applied as follows:

(a) First, to pay all reasonable and customary transaction costs, including market rate brokerage commissions due to Manager;

(b) Second, to pay all accrued and unpaid interest on the Principal being prepaid pursuant to clause (c) below;

(c) Third, to prepay Principal by an amount equal to the Release Amount

for such Property (as calculated immediately before the release of such Property from the Lien of the Loan Documents); and

(d) Lastly, if no Default or Event of Default exists, the balance shall be paid to Borrowers.

3. REPRESENTATIONS AND WARRANTIES

3.1 Borrowers' Representations. Each Borrower, subject to the provisions of Section 3.1.36, represents and warrants as of the date hereof that, except to the extent (if any) disclosed on Schedule 3 with reference to a specific subsection of this Section 3.1:

3.1.1 Organization; Special Purpose. Each Borrower, Borrower Member and each Borrower Representative has been duly organized and is validly existing and in good standing under the laws of the State of formation, with requisite power and authority, and all rights, licenses, permits and authorizations, governmental or otherwise, necessary to own its properties and to transact the business in which it is now engaged. Each Borrower, Borrower Member and each Borrower Representative is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, business and operations.

3.1.2 Proceedings; Enforceability. Such Borrower has taken all necessary action to authorize the execution, delivery and performance of the Loan Documents. The Loan Documents have been duly executed and delivered by such Borrower and constitute legal, valid and binding obligations of such Borrower enforceable against such Borrower in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and general principles of equity.

3.1.3 No Conflicts. The execution, delivery and performance of the Loan Documents by such Borrower and the transactions contemplated hereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to the Loan Documents) upon any of the property of such Borrower pursuant to the terms of, any agreement or instrument to which such Borrower is a party or by which its property is subject, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over such Borrower or any of its properties. Such Borrower's rights under the Licenses will not be adversely affected by the execution and delivery of the Loan Documents, such Borrower's performance thereunder, the recordation of the Mortgage, or the exercise of any remedies by Lender. Any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by such Borrower of the Loan Documents has been obtained and is in full force and effect.

3.1.4 Litigation. There are no actions, suits or other proceedings at law or in equity by or before any Governmental Authority now pending or threatened against or affecting any Borrower, Borrower Member, any Borrower Representative, the Manager or any Property, which, if adversely determined, might materially adversely affect the condition (financial or otherwise) or

business of any Borrower, Borrower Member, any Borrower Representative, Manager or the condition or ownership of any Property.

3.1.5 Agreements. Such Borrower is not a party to any agreement or instrument or subject to any restriction which might adversely affect such Borrower or any Property, or such Borrower's business, properties, operations or condition, financial or otherwise. Such Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Permitted Encumbrance or any other agreement or instrument to which it is a party or by which it or any Property is bound.

3.1.6 Title. Such Borrower has good, marketable and indefeasible title in fee to the Property (or if such Property is a Ground Lease, such Borrower has good, marketable and indefeasible title to the leasehold estate created by such Ground Lease) and good title to the balance of such Property, free and clear of all Liens except the Permitted Encumbrances. The Mortgages when properly recorded in the appropriate records, together with any UCC Financing Statements required to be filed in connection therewith, will create (i) a valid, perfected first priority lien on the fee interest in each Property owned by a Borrower in fee and a valid, perfected first priority lien on the two leasehold estates created by the Ground Leases affecting Properties in Woodbridge, New Jersey and Sacramento, California, respectively and (ii) valid and perfected first priority security interests in and to, and perfected collateral assignments of, all personalty (including the Leases), all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. The Permitted Encumbrances do not materially adversely affect the value, operation or use of any Property, or Borrowers' ability to repay the Loan. There are no claims for payment for work, labor or materials affecting any Property which are or may become a Lien prior to, or of equal priority with, the Liens created by the Loan Documents. There are no outstanding options to purchase or rights of first refusal affecting all or any portion of any Property in favor of anyone other than a Borrower.

3.1.7 Survey. To the best knowledge of such Borrower, the surveys for the Properties delivered to Lender reflect all material matters affecting any Property or the title thereto.

3.1.8 No Bankruptcy Filing. Such Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property (a "BANKRUPTCY PROCEEDING"), and such Borrower has no knowledge of any Person contemplating the filing of any such petition against it. In addition, neither such Borrower nor Borrower Member, nor any Borrower Representative nor any principal nor Affiliate of any of the foregoing has been a party to, or the subject of a Bankruptcy Proceeding for the past ten years.

3.1.9 Full and Accurate Disclosure. No statement of fact made by such Borrower in any Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein not misleading. There is no material fact presently known to such Borrower that has not been disclosed to Lender which adversely affects, or, as far as such Borrower can foresee, might adversely affect, any Property or the business, operations or condition (financial or otherwise) of any Borrower.

3.1.10 No Plan Assets. Such Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101.

3.1.11 Compliance. Except as disclosed in writing to Lender, Borrowers and the Properties and the use thereof comply in all material respects with all applicable Legal Requirements. No Borrower is in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which might materially adversely affect the condition (financial or otherwise) or business of any Borrower. There has not been and shall never be committed by any Borrower or any other Person in occupancy of or involved with the operation or use of any Property any act or omission affording any Governmental Authority the right of forfeiture as against any Property or any part thereof or any monies paid in performance of any Borrower's obligations under any Loan Document.

3.1.12 Contracts. There are no service, maintenance or repair contracts affecting any Property which are binding on Borrower that are not terminable on one month's notice or less without cause and without penalty or premium (other than elevator and/or security system service contracts which are with persons not Affiliated with Borrower and are on market rate terms and conditions). All service, maintenance or repair contracts affecting any Property have been entered into at arms-length in the ordinary course of the applicable Borrower's business and provide for the payment of fees in amounts and upon terms comparable to existing market rates.

3.1.13 Financial Information. All financial data, including the statements of cash flow and income and operating expense, that have been delivered to Lender in respect of any Borrower and, to the best of Borrowers' knowledge, the Properties (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of such Borrower and the Properties as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. No Borrower has any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments, unrealized or anticipated losses from any unfavorable commitments or any liabilities or obligations not expressly permitted by this Agreement. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of any Borrower or any Property from that set forth in said financial statements.

3.1.14 Condemnation. No Condemnation or other proceeding, to the best knowledge of any Borrower, is contemplated with respect to all or part of any Property or for the relocation of roadways providing access to any Property.

3.1.15 Federal Reserve Regulations. No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors,

or for any purpose prohibited by Legal Requirements or any Loan Document.

3.1.16 Utilities and Public Access. Each Property has rights of access to public ways and is served by water, sewer, sanitary sewer and storm drain facilities adequate to service it for its intended uses. All public utilities necessary or convenient to the full use and enjoyment of each Property are either located in the public right-of-way abutting such Property or located in private property in which a valid easement exists for the benefit of such Property, and all such utilities are connected so as to serve such Property without passing over other property absent a valid easement. All roads necessary for the use of each Property for its current purpose have been completed and dedicated to public use and accepted by all Governmental Authorities.

3.1.17 Not a Foreign Person. Such Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

3.1.18 Separate Lots. Each parcel comprising a Property is a separate tax lot and is not a portion of any other tax lot that is not a part of such Property.

3.1.19 Assessments. There are no pending or proposed special or other assessments for public improvements or otherwise affecting any Property, or any contemplated improvements to any Property that may result in such special or other assessments.

3.1.20 Enforceability. The Loan Documents are not subject to, and no Borrower has asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury. No exercise of any of the terms of the Loan Documents, or any right thereunder, will render any Loan Document unenforceable.

3.1.21 Insurance. Borrowers have obtained and have delivered (or have caused to be obtained and delivered) to Lender insurance policies reflecting the insurance coverages, amounts and other requirements set forth in this Agreement.

3.1.22 Use of Properties; Licenses. Each Property that is not vacant is used exclusively for retail and/or warehouse and other appurtenant and related uses. All certifications, permits, licenses and approvals, including certificates of completion and occupancy permits required for the legal use, occupancy and operation of the Properties (collectively, the "LICENSES"), have been obtained and are in full force and effect. The use being made of each Property is in conformity with the certificate of occupancy issued for such Property and all other restrictions, covenants and conditions affecting such Property.

3.1.23 Flood Zone. Except as shown on surveys delivered to Lender in connection with the Loan, no portion of any Property is located in an area as identified by the Federal Emergency Management Agency as an area having special flood hazards.

3.1.24 Physical Condition. Except as disclosed in the Property Condition Reports, the Properties, including all Improvements, parking facilities, systems, Equipment and landscaping, are in good condition, order and repair in all material respects; there exists no structural or other

material defect or damages to any Property, whether latent or otherwise. No Borrower has received any notice from any insurance company or bonding company of any defect or inadequacy in any Property, or any part thereof, which would adversely affect its insurability or cause the imposition of extraordinary premiums or charges thereon or any termination of any policy of insurance or bond.

3.1.25 Encroachments. Except as shown on surveys delivered to Lender in connection with the Loan, all of the Improvements included in determining the appraised value of each Property lie wholly within the boundaries and building restriction lines of such Property, and no improvement on an adjoining property encroaches upon any Property, and no easement or other encumbrance upon any Property encroaches upon any of the Improvements, except those insured against by the Title Insurance Policy.

3.1.26 Leases. (i) each Lease is in full force and effect; (ii) the tenants under the Leases have accepted possession of and are in occupancy of all of their respective demised premises, have commenced the payment of rent under the Leases, and there are no offsets, claims or defenses to the enforcement thereof; (iii) all rents due and payable under the Leases have been paid and no portion thereof has been paid for any period more than 30 days in advance; (iv) the rent payable under each Lease is the amount of fixed rent set forth therein, and there is no claim or basis for a claim by the tenant thereunder for an adjustment to the rent (except as otherwise expressly set forth in the Levitz Lease); (v) no tenant has made any claim against the landlord under any Lease which remains outstanding, there are no defaults on the part of the landlord under any Lease, and no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default; (vi) to Borrowers' best knowledge, there is no present material default by the tenant under any Lease; (vii) all security deposits under Leases are as set forth therein; (viii) a Borrower is the sole owner of the entire lessor's interest in each Lease; (ix) each Lease is the valid, binding and enforceable obligation of the Borrower and the applicable tenant thereunder; (x) no Person has any possessory interest in, or right to occupy, such Property except under the terms of the Lease; and (xi) each Lease is subordinate to the Loan Documents, either pursuant to its terms or pursuant to a subordination and attornment agreement. None of the Leases contains any option to purchase or right of first refusal to purchase any Property or any part thereof. Neither the Leases nor the Rents have been assigned or pledged except to Lender, and no other Person has any interest therein except the tenants thereunder.

3.1.27 Filing and Recording Taxes. All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements in connection with the transfer of the Properties to Borrowers have been paid. All mortgage, recording, stamp, intangible or other similar taxes required to be paid by any Person under applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Loan Documents have been paid.

3.1.28 Investment Company Act. No Borrower is (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (iii) subject to any

other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

3.1.29 Fraudulent Transfer. No Borrower has entered into the Loan or any Loan Document with the actual intent to hinder, delay, or defraud any creditor, and each Borrower has received reasonably equivalent value in exchange for its obligations under the Loan Documents. Giving effect to the transactions contemplated by the Loan Documents, the fair saleable value of each Borrower's assets exceeds and will, immediately following the execution and delivery of the Loan Documents, exceed such Borrower's total liabilities, including subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of each Borrower's assets is and will, immediately following the execution and delivery of the Loan Documents, after giving effect to the borrowing of the Loan and the transactions contemplated under the Loan Documents, be greater than such Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. Each Borrower's assets do not and, immediately following the execution and delivery of the Loan Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. No Borrower intends to, or believes that it will, incur debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of such Borrower).

3.1.30 Ownership of Borrower. The sole member of each Borrower that is a limited liability company is Borrower Member. The sole general partner of each Borrower that is a limited partnership is the Borrower Representative applicable to such Borrower and such Borrower's sole limited partner is Borrower Member. The Borrower Member is the sole member of each Borrower Representative. The membership interest in each Borrower Representative and the membership or partnership interests in each Borrower are owned free and clear of all Liens, warrants, options and rights to purchase. Borrower has no obligation to any Person to purchase, repurchase or issue any ownership interest in it. The organizational charts attached hereto as Schedule 5 is complete and accurate and illustrates all Persons who have a direct or indirect ownership interest in each Borrower.

3.1.31 Management Agreement. The Management Agreement is in full force and effect. There is no default, breach of violation existing thereunder, and no event has occurred (other than payments due but not yet delinquent) that, with the passage of time or the giving of notice, or both, would constitute a default, breach of violation thereunder, by either party thereto. The Management Fee and the terms and provisions of the Management Agreement are subordinate to the Loan Documents.

3.1.32 Hazardous Substances. Except as discussed in written environmental reports delivered to Lender in connection with the Loan: (i) no property is in violation of any Legal Requirement pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up, including the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Emergency Planning and Community Right-to-Know Act of 1986, the Hazardous Substances Transportation Act, the Solid Waste Disposal Act, the Clean Water Act, the Clean Air Act, the Toxic Substance

Control Act, the Safe Drinking Water Act, the Occupational Safety and Health Act, any state super-lien and environmental clean-up statutes, any local law requiring related permits and licenses and all amendments to and regulations in respect of the foregoing laws (collectively, "ENVIRONMENTAL LAWS"); (ii) no Property is subject to any private or governmental Lien or judicial or administrative notice or action or inquiry, investigation or claim relating to hazardous, toxic, dangerous and/or regulated substances, wastes, materials, raw materials which include hazardous constituents, pollutants or contaminants, including asbestos, asbestos containing materials, petroleum, tremolite, anthophyllite, actinolite, polychlorinated biphenyls or any other substances or materials which are included under or regulated by Environmental Laws or which are considered by scientific opinion to be otherwise dangerous in terms of the health, safety and welfare of humans (collectively, "HAZARDOUS SUBSTANCES"); (iii) to the best of Borrowers' knowledge, after due inquiry, no Hazardous Substances are or have been (including the period prior to Borrowers' acquisition of the Properties), discharged, generated, treated, disposed of or stored on, incorporated in, or removed or transported from any Property other than in compliance with all Environmental Laws; (iv) to the best of Borrowers' knowledge, after due inquiry, no Hazardous Substances are present in, on or under any nearby real property which could migrate to or otherwise affect any Property; (v) no underground storage tanks exist on any Property and no Property has ever been used as a landfill; and (vi) there have been no environmental investigations, studies, audits, reviews or other analyses conducted by or on behalf of any Borrower which have not been provided to Lender.

3.1.33 Name; Principal Place of Business. No Borrower uses or will use any trade name or has done or will do business under any name other than its actual name set forth herein. The principal place of business of each Borrower is its primary address for notices as set forth in Section 8.2, and Borrower has no other place of business.

3.1.34 Other Debt. There is no indebtedness with respect to any Property or any excess cash flow or any residual interest therein, whether secured or unsecured, other than Permitted Encumbrances and the permitted indebtedness described in Section 5.7.

3.1.35 Ground Lease. Each Ground Lease is in full force and effect and has not been modified or amended. There are no defaults under any Ground Lease and no event has occurred, which with the passage of time, the giving of notice, or both, would constitute a default under any Ground Lease. All rents, additional rents and other sums due and payable under each Ground Lease have been paid in full. Neither Borrower nor the landlord under any Ground Lease has commenced any action or given or received any notice for the purpose of terminating any Ground Lease.

3.1.36 Homelife Properties. Notwithstanding anything to the contrary in this Article 3, Borrowers represent and warrant that they have no independent knowledge with respect to the matters set forth in the representations and warranties set forth in Sections 3.1.7, 3.1.11, 3.1.14, 3.1.16, 3.1.18, 3.1.19, 3.1.22, 3.1.23, 3.1.24, 3.1.25 and 3.1.32, solely as the same relate to the Homelife Properties, and accordingly, no representation or warranty in such Sections shall apply to the Homelife Properties.

3.2 Survival of Representations and Covenants. All of the representations and warranties

in Section 3.1 and elsewhere in the Loan Documents (i) shall survive for so long as any portion of the Debt remains owing to Lender and (ii) shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf, provided, however, that the representations, warranties and covenants set forth in Section 3.1.32, 4.10 and 4.16 shall survive in perpetuity and shall not be subject to the exculpation provisions of Section 8.1.

4. AFFIRMATIVE COVENANTS

Until the end of the Term, each Borrower hereby covenants and agrees with Lender that:

4.1 Existence. Such Borrower shall (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, and franchises, (ii) continue to engage in the business presently conducted by it, (iii) obtain and maintain all Licenses, and (iv) qualify to do business and remain in good standing under the laws of each jurisdiction, in each case as and to the extent required for the ownership, maintenance, management and operation of each Property.

4.2 Taxes. Such Borrower shall pay all Taxes as the same become due and payable, and deliver to Lender receipts for payment or other evidence satisfactory to Lender that the Taxes have been so paid no later than 30 days before they would be delinquent if not paid. Such Borrower shall not suffer and shall promptly cause to be paid and discharged any Lien against the Properties, and shall promptly pay for all utility services provided to the Properties. After prior notice to Lender, such Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application of any Taxes or Liens, provided that (i) no Default or Event of Default has occurred and is continuing, (ii) such proceeding shall suspend the collection of the Taxes or Liens, (iii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which such Borrower is subject and shall not constitute a default thereunder, (iv) no part of or interest in any Property will be in danger of being sold, forfeited, terminated, canceled or lost, (v) such Borrower shall have furnished such security as may be required in the proceeding, or as may be requested by Lender, to insure the payment of any such Taxes or Liens, together with all interest and penalties thereon, which shall not be less than 125% of the Taxes or Liens being contested, and (vi) such Borrower shall promptly upon final determination thereof pay the amount of such Taxes or Liens, together with all costs, interest and penalties. Lender may pay over any such security or part thereof held by Lender to the claimant entitled thereto at any time when, in the judgment of Lender, the entitlement of such claimant is established.

4.3 Repairs; Maintenance and Compliance; Alterations.

4.3.1 Repairs; Maintenance and Compliance. Borrowers shall at all times maintain, preserve and protect all franchises and trade names, and Borrowers shall cause the Properties to be maintained in a good and safe condition and repair and shall not remove, demolish or alter the Improvements or Equipment (except for alterations performed in accordance with Section 4.3.2 and normal replacement of Equipment with Equipment of equivalent value and functionality). Borrowers shall promptly comply with all Legal Requirements (or cause such compliance) and

immediately cure properly any violation of a Legal Requirement (or cause such cure). Borrowers shall notify Lender in writing within one Business Day after any Borrower first receives notice of any such non-compliance. Borrowers shall promptly repair, replace or rebuild any part of a Property that becomes damaged, worn or dilapidated and shall complete and pay for any Improvements at any time in the process of construction or repair.

4.3.2 Alterations. Any Borrower may, without Lender's consent, perform alterations to the Improvements and Equipment which (i) do not constitute a Material Alteration, (ii) do not adversely affect such Borrower's financial condition or the cash flow of any Property and (iii) are in the ordinary course of such Borrower's business. No Borrower shall perform any Material Alteration without Lender's prior written consent, which consent shall not be unreasonably withheld or delayed; provided, however, that Lender may, in its sole and absolute discretion, withhold consent to any alteration the cost of which is reasonably estimated to exceed \$1,000,000. In considering a Borrower's request for Lender's consent to a Material Alteration, Lender shall have the right to retain an architect and/or engineer, at Borrowers' expense, to review and approve the plans and specifications for such Material Alteration. Lender may, as a condition to giving its consent to a Material Alteration, require that Borrowers deliver to Lender as security for payment of the cost of such Material Alteration and as additional security for the Debt any of the following: (1) cash, (2) U.S. Treasury securities or (3) an irrevocable and assignable Letter of Credit (payable on sight draft only) naming Lender as beneficiary and issued by a New York clearinghouse bank reasonably satisfactory to Lender. Such security shall be in an amount equal to 125% of the cost of the Material Alteration as estimated by Lender. Upon the occurrence of a Default or Event of Default, Lender may apply such security to payment of the Debt. If the security posted is other than cash, upon substantial completion of the Material Alteration and submission to Lender of evidence satisfactory to Lender that (i) the Material Alteration was constructed in accordance with applicable Legal Requirements and substantially in accordance with plans and specifications approved by Lender (which approval shall not be unreasonably withheld or delayed), (ii) all contractors, subcontractors, materialmen and professionals who provided work, materials or services in connection with the Material Alteration have been paid in full and have delivered unconditional releases of lien and (iii) all material Licenses necessary for the use, operation and occupancy of the Material Alteration (other than those which depend on the performance of tenant improvement work) have been issued, Lender shall, provided no Default or Event of Default then exists, return the security (or the unapplied portion thereof) to Borrowers. If the security posted is cash, Lender shall disburse such cash in accordance with the same procedures as are applicable to disbursement of Proceeds or an Award under Section 6.4.3. Borrowers shall reimburse Lender upon demand for all out-of-pocket costs and expenses (including the reasonable fees of all professionals) incurred by Lender in reviewing plans and specifications or in making any determinations necessary to implement the provisions of this Section 4.3.2.

4.4 Litigation. Such Borrower shall give prompt written notice to Lender of any litigation, governmental proceedings or claims or investigations pending or threatened against such Borrower, Borrower Member or any Borrower Representative which might materially adversely affect Borrowers', Borrower Member's or such Borrower Representative's condition (financial or otherwise) or business or any Property.

4.5 Performance of Other Agreements. Such Borrower shall observe and perform each and every term to be observed or performed by it pursuant to the terms of any agreement or instrument affecting or pertaining to any Property, including the Loan Documents.

4.6 Notices. Such Borrower shall promptly advise Lender, in writing, of any material adverse change in such Borrower's, Borrower Member's or any Borrower Representative's condition, financial or otherwise, or of the occurrence of any Default or Event of Default of which such Borrower has knowledge. Such Borrower shall cause to be delivered to Lender any Securities and Exchange Commission or other public filings, if any, of Borrower, Borrower Member, any Borrower Representative, Manager, or any Affiliate of any of the foregoing within two (2) Business Days of such filing.

4.7 Cooperate in Legal Proceedings. Such Borrower shall cooperate fully with Lender with respect to, and permit Lender, at its option, to participate in, any proceedings before any Governmental Authority which may in any way affect the rights of Lender under any Loan Document.

4.8 Further Assurances. Such Borrower shall, at such Borrower's sole cost and expense, (i) execute and deliver to Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the collateral at any time securing or intended to secure the Debt, as Lender may reasonably require from time to time; (ii) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of the Loan Documents, as Lender shall reasonably require from time to time and (iii) upon Lender's request therefor given from time to time after the occurrence of any Default or Event of Default pay for (a) reports of UCC, federal tax lien, state tax lien, judgment and pending litigation searches with respect to Borrowers, Borrower Member and each Borrower Representative and (b) searches of title to the Properties, each such search to be conducted by search firms reasonably designated by Lender in each of the locations reasonably designated by Lender.

4.9 Financial Statements and Other Reports.

4.9.1 Financial Statements.

(a) ANNUAL REPORTING. Within 120 days after the end of each calendar year, each Borrower, Borrower Member and Guarantor shall provide true and complete copies of its Financial Statements for such year to Lender (other than with respect to the Financial Statements for the L-A Guarantors, which shall be provided within 180 days after the end of each calendar year). All such Financial Statements (other than the Financial Statements provided by Klaff Realty, LP) shall be audited by a "Big Four" accounting firm or by other independent certified public accountants acceptable to Lender, and shall bear the unqualified certification of such accountants that such Financial Statements present fairly in all material respects the financial position of the subject company. Notwithstanding the foregoing, Lender hereby approves of CBIZ Accounting, Tax & Advisory Services and Mayer Hoffman McCann P.C. as the aforementioned independent certified public accountant, provided, however, that Lender reserves the right to disapprove CBIZ

Accounting, Tax & Advisory Services and Mayer Hoffman McCann P.C. as the aforementioned independent certified public accountant (and to require a "Big Four" accounting firm or another independent certified public accountant reasonably acceptable to Lender) if in Lender's reasonable opinion, CBIZ Accounting, Tax & Advisory Services and Mayer Hoffman McCann P.C. is not preparing the requisite financial statements in accordance with the terms of this Section 4.9. The annual Financial Statements for each Borrower, Borrower Member and Guarantor shall be accompanied by a certification executed by the entity's authorized representative, satisfying the criteria set forth below. The annual Financial Statements of each Borrower also shall be accompanied by a Compliance Certificate (as defined below). Together with each delivery of annual Financial Statements pursuant to this Section, each Borrower and Borrower Member will deliver a written statement by its independent certified public accountants (1) stating that the examination has included a review of the terms of this Agreement as such terms relate to accounting matters, (2) stating whether, in connection with the examination, any condition or event that constitutes a Default or an Event of Default has come to their attention, and (3) if such a condition or event has come to their attention, specifying the nature and period of existence thereof.

(b) QUARTERLY REPORTING - BORROWERS. Within 30 days after the end of each calendar quarter, each Borrower shall provide true and complete copies of its Financial Statements (prepared in accordance with an "income tax basis" of accounting consistently applied) for such quarter to Lender, together with a certification executed on behalf of each Borrower by its authorized representative in accordance with the criteria set forth below. In addition, within the same time, each Borrower shall provide certified rental status reports, a certified rent roll and a Compliance Certificate.

(c) MONTHLY REPORTING. Within 20 days after the end of each calendar month, each Borrower shall provide to Lender (i) operating statements (prepared in accordance with an "income tax basis" of accounting consistently applied) for such Borrower prepared on a cash basis and in form reasonably satisfactory to Lender, (x) for such month, (y) for the year to date, including a comparison of budgeted to actual income and expenses and an explanation of material variances, and (z) for the 12-month period ending in and including the subject month and (ii) an updated rent roll. Along with such operating statements, each Borrower shall deliver to Lender a certification of such Borrower's authorized representative satisfying the criteria set forth below.

(d) ADDITIONAL REPORTING. In addition to the foregoing, each of each Borrower, Borrower Member and Guarantor shall promptly provide to Lender such further documents and information concerning its operations, properties, ownership, and finances as Lender shall from time to time reasonably request.

(e) GAAP. Each Borrower, Borrower Member and Guarantor will maintain systems of accounting established and administered in accordance with sound business practices and sufficient in all respects to permit preparation of Financial Statements in conformity with GAAP or in accordance with an "income tax basis" of accounting consistently applied. All annual Financial Statements shall be prepared in accordance with GAAP, consistently applied.

(f) CERTIFICATIONS OF FINANCIAL STATEMENTS, COMPLIANCE CERTIFICATE.

The Financial Statements for each Borrower and Borrower Member submitted under this Section shall be accompanied by a certification in form and substance reasonably satisfactory to Lender, executed on behalf of such Borrower and Borrower Member, as applicable, by its authorized representative, stating that such Financial Statements are true and complete and do not omit to state any material information without which the same might reasonably be misleading. In addition, where this Agreement requires a "COMPLIANCE CERTIFICATE", such Borrower will deliver a certificate duly executed on behalf of such Borrower by the authorized representative of such Borrower, in form and substance satisfactory to Lender, stating that there does not exist any Default or Event of Default under the Loan Documents (or if the any exists, specifying the same in detail), and stating to the best of such Borrower's knowledge after due inquiry that all Financial Statements, reports, calculations, and other information submitted therewith to Lender are true and materially complete and do not omit to state any material information without which the same might reasonably be misleading.

(g) FISCAL YEAR. Each of each Borrower, Borrower Member and Guarantor represents that its fiscal year ends on December 31, and agrees that it shall not change its fiscal year.

4.9.2 Accountants' Reports. Promptly upon receipt thereof, each Borrower and each of Borrower Member and Guarantor will deliver copies of all significant reports submitted by independent public accountants in connection with each annual, interim or special audit of the Financial Statements or other affairs of such party made by such accountants, including the comment letter submitted by such accountants to management in connection with the annual audit.

4.9.3 Tax Returns. Within 30 days after filing the same, each of each Borrower, Borrower Member and Guarantor shall deliver to Lender a copy of its Federal income tax returns (or the return of the applicable Person into which such party's Federal income tax return is consolidated) certified on its behalf by its authorized representative to be true and correct.

4.9.4 Annual Budgets. Intentionally Omitted.

4.9.5 Annual Ownership Report. Together with its annual Financial Statements, each Borrower and Borrower Member shall deliver to Lender a written statement duly executed on such party's behalf by its authorized representative or secretary of the entity, in form and substance satisfactory to Lender, identifying in particularity and detail all direct and indirect ownership and beneficial interests in such party, and stating whether any such interest is encumbered or pledged, in each case as of the date of delivery of such notice.

4.9.6 Material Notices.

(a) Each Borrower shall promptly deliver, or caused to be delivered, copies of all notices given or received by such Borrower with respect to noncompliance with any term or condition related to any indebtedness of Borrower, including indebtedness under the Loan Documents, and shall notify Lender within two Business Days of any potential or actual event of default with respect to any such indebtedness.

(b) Each Borrower shall promptly deliver to Lender any and all material notices (including without limitation any notice alleging any default or breach) received from any manager, franchisors, licensors, or tenant for or pertaining to any Property.

4.9.7 Events of Default, etc. Promptly upon any Borrower obtaining knowledge of any of the following events or conditions, such Borrower shall deliver a certificate executed on its behalf by its authorized representative specifying the nature and period of existence of such condition or event and what action such Borrower or any Affiliate thereof has taken, is taking and proposes to take with respect thereto: (1) any condition or event that constitutes an Event of Default or Default; or (2) any Material Adverse Effect with respect to Borrower.

4.9.8 Litigation. Promptly upon any Borrower's obtaining knowledge of (i) the institution of any action, suit, proceeding, governmental investigation or arbitration against or affecting such Borrower or any property of such Borrower not previously disclosed in writing by such Borrower to Lender or (ii) any material development in any action, suit, proceeding, governmental investigation or arbitration at any time pending against or affecting Borrower or any property of Borrower which, in each case, is reasonably likely to have a Material Adverse Effect, Borrower will give notice thereof to Lender and provide such other information as may be reasonably available to them to enable Lender and its counsel to evaluate such matter.

4.9.9 Insurance. Within the 30 day period prior to the end of each insurance policy year of Borrowers, Borrowers will deliver a report in form and substance reasonably satisfactory to Lender outlining all material insurance coverage maintained as of the date of such report by Borrowers and all material insurance coverage planned to be maintained by Borrowers in the subsequent insurance policy year.

4.9.10 Other Information. With reasonable promptness, each of each Borrower, Borrower Member and Guarantor will deliver such other information and data with respect to Borrowers, Borrower Member and Guarantor as from time to time may be reasonably requested by Lender.

4.9.11 Breach. If any Borrower fails to provide to Lender or its designee any of the financial statements, certificates, reports or information (the "REQUIRED RECORDS") required by this Section 4.9 within 30 days after the date upon which such Required Record is due, Borrowers shall pay to Lender, at Lender's option and in its discretion, an amount equal to \$10,000 for each Required Record that is not delivered; provided Lender has given Borrowers at least 15 days prior notice of such failure. In addition, 30 days after any Borrower's failure to deliver any Required Records, Lender shall have the option, upon 15 days notice to such Borrower to gain access to such Borrower's books and records and prepare or have prepared at Borrowers' expense, any Required Records not delivered by such Borrower.

4.9.12 Consolidated Statements. Notwithstanding anything to the contrary in the foregoing, so long as the Borrowers that are limited liability companies file a consolidated tax return together with Borrower Member, such Borrowers may deliver any information required by this

Section 4.9.12 on a consolidated basis, provided that all such information is set forth separately for each Property.

4.10 Environmental Matters.

4.10.1 Hazardous Substances. So long as such Borrower owns or is in possession of any Property, such Borrower (i) shall keep such Property free from Hazardous Substances and in compliance with all Environmental Laws, (ii) shall promptly notify Lender if such Borrower shall become aware that (A) any Hazardous Substance is on or near any Property, (B) any Property is in direct or indirect violation of any Environmental Laws or (C) any condition on or near any Property shall pose a threat to the health, safety or welfare of humans, (iii) shall remove such Hazardous Substances and/or cure such violations and/or remove such threats, as applicable, as required by law (as determined by Lender or by a licensed hydrogeologist, licensed environmental engineer or other qualified environmental consulting firm engaged by Lender ("LENDER'S CONSULTANT")), promptly after Borrower becomes aware of same, at Borrowers' sole expense and (iv) shall comply with all of the recommendations contained in the environmental reports delivered to Lender in connection with the origination of the Loan. Nothing herein shall prevent any Borrower from recovering such expenses from any other party that may be liable for such removal or cure.

4.10.2 Environmental Monitoring.

(1) Borrowers shall give prompt written notice to Lender of (i) any proceeding or written inquiry by any party (including any Governmental Authority) with respect to the presence of any Hazardous Substance on, under, from or about any Property, (ii) all claims made or threatened in writing by any third party (including any Governmental Authority) against any Borrower or any Property or any party occupying any Property relating to any loss or injury resulting from any Hazardous Substance, and (iii) any Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of any Property that could cause such Property to be subject to any investigation or cleanup pursuant to any Environmental Law. Borrowers shall permit Lender to join and participate in, as a party if it so elects, any legal or administrative proceedings or other actions initiated with respect to any Property in connection with any Environmental Law or Hazardous Substance, and Borrowers shall pay all reasonable attorneys' fees and disbursements incurred by Lender in connection therewith.

(2) Upon Lender's request, at any time and from time to time, Borrowers shall provide an inspection or audit of the Properties (or any of them) prepared by a licensed hydrogeologist, licensed environmental engineer or qualified environmental consulting firm approved by Lender assessing the presence or absence of Hazardous Substances on, in or near such Properties. The cost and expense of such audit or inspection shall be paid by Borrowers not more frequently than once every five calendar years after the occurrence of any Secondary Market Transaction, unless a Default or an Event of Default exists or Lender, in its good faith judgment, determines that reasonable cause exists for the performance of an environmental inspection or audit of such Properties, in which cases such inspections or audits shall be at Borrowers' sole expense. Such inspections and audit may include, without limitation, soil bearings and ground water monitoring. If Borrowers fail to provide any such inspection or audit within 30 days after such

request, Lender may order same, and each Borrower hereby grants to Lender and its employees and agents access to its Property and a license to undertake such inspection or audit. The cost of such inspection or audit shall be paid by Borrowers upon demand and if not paid, shall be added to the Debt.

(3) If any environmental site assessment report prepared in connection with such inspection or audit recommends that an operations and maintenance plan be implemented for any Hazardous Substance, whether such Hazardous Substance existed prior to the ownership of such Property by a Borrower, or presently exists or is reasonably suspected of existing, Borrowers shall cause such operations and maintenance plan to be prepared and implemented at its expense upon request of Lender. In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other work of any kind is reasonably necessary under an applicable Environmental Law ("REMEDIAL WORK"), Borrower shall, within 30 days after written demand by Lender, commence and thereafter diligently prosecute to completion all such Remedial Work (which amount of time shall not exceed any applicable period of time as may be required under applicable law). All Remedial Work shall be performed by licensed contractors approved in advance by Lender and under the supervision of a consulting engineer approved by Lender. All costs of such Remedial Work shall be paid by Borrowers, including Lender's reasonable attorneys' fees and disbursements incurred in connection with the monitoring or review of such Remedial Work. If Borrowers do not timely commence and diligently prosecute to completion the Remedial Work, Lender may (but shall not be obligated to) cause such Remedial Work to be performed. All costs and expenses (including reasonable attorneys' fees and disbursements) relating to or incurred by Lender in connection with monitoring, reviewing or performing any Remedial Work in accordance herewith shall be paid by Borrowers upon demand from Lender and if not, shall be added to the Debt. Notwithstanding the foregoing, Borrowers shall not be required to commence such Remedial Work within the above specified time period: (x) if prevented from doing so by any Governmental Authority, (y) if commencing such Remedial Work within such time period would result in a Borrower or such Remedial Work violating any Environmental Law, or (z) if a Borrower, at its expense and after prior written notice to Lender, is contesting by appropriate legal, administrative or other proceedings, conducted in good faith and with due diligence, the need to perform such Remedial Work. A Borrower shall have the right to contest the need to perform such Remedial Work, provided that, (1) such Borrower is permitted by the applicable Environmental Laws to delay performance of the Remedial Work pending such proceedings, (2) neither the Properties nor any of them nor any part thereof or interest therein will be sold, forfeited or lost if such Borrower fails to promptly perform the Remedial Work being contested, and if such Borrower fails to prevail in contest, such Borrower would thereafter have the opportunity to perform such Remedial Work, (3) Lender would not, by virtue of such permitted contest, be exposed to any risk of any civil liability for which Borrowers have not furnished additional security as provided in clause (4) below, or to any risk of criminal liability, and neither the Properties nor any of them nor any interest therein would be subject to the imposition of any Lien for which Borrowers have not furnished additional security as provided in clause (4) below, as a result of the failure to perform such Remedial Work and (4) Borrowers shall have furnished to Lender additional security in respect of the Remedial Work being contested and the loss or damage that may result from the applicable Borrower's failure to prevail in such contest in such amount as may be reasonably requested by Lender but in no event less than one hundred twenty-five percent (125%) of the cost of such Remedial Work as estimated by Lender or Lender's

Consultant and any loss or damage that may result from the applicable Borrower's failure to prevail in such contest.

(4) Borrower shall not install or permit to be installed on any Property any underground storage tank.

4.11 Title to the Property. Each Borrower will warrant and defend the title to its Property, and the validity and priority of all Liens granted or otherwise given to Lender under the Loan Documents, subject only to Permitted Encumbrances, against the claims of all Persons.

4.12 Leases.

4.12.1 Intentionally Omitted.

4.12.2 New and Renewal Leases. No Borrower shall enter into any proposed new Leases or proposed renewals, extensions, modifications or amendments of existing Leases without the prior written consent of Lender; provided, however, that prior written consent is not required if such proposed new, renewed, modified or extended Lease: (i) is not a Material Lease; (ii) with respect to such Lease, the representations set forth in Section 3.1.26 are true and accurate with respect to such Lease as of the day of the effectiveness of such Lease; (iii) shall have an initial term of not less than three years or greater than ten years; and (iv) shall be to a tenant that is experienced, creditworthy and reputable. No later than ten days after the execution of a new or renewal Lease, Borrowers shall deliver to Lender a modified and updated rent roll, and, if requested by Lender, a tenant estoppel certificate satisfactory to Lender and a subordination and attornment agreement satisfactory to Lender. Notwithstanding the foregoing, with respect to any Material Lease other than the Levitz Lease, the prior written consent of Lender shall not be required for a non-material modification or amendment to such Lease, it being understood that a modification shall be deemed material if, without limitation, such modification (i) changes the rent or other amounts payable thereunder, (ii) changes the term or otherwise modifies any renewal options thereunder, (iii) grants to the tenant thereunder any purchase option, right of first refusal for additional space or termination right, or (iv) increases the obligations of the applicable Borrower thereunder.

4.12.3 Levitz Lease. Notwithstanding anything to the contrary contained in this Agreement: (i) in no event may Borrowers amend, terminate, accept a surrender of, cancel or otherwise modify the Levitz Lease or any provision thereof without Lender's prior written consent (which consent shall not be required with respect to any amendment, the sole purpose of which is to either (x) reallocate the rent payable thereunder pursuant to Section 24 of the Twelfth Amendment to Unitary Lease or (y) release a specific Property from the demised premises thereunder in accordance with Section 2.4.2), (ii) Borrowers shall deliver to Lender a copy of any material plan, material report or other written communication of any kind delivered to any Borrower or Manager by or on behalf of the tenant under the Levitz Lease, within five (5) Business Days after receipt by such Borrower or Manager, (iii) each Borrower shall give Lender a copy of any written notice given or received by such Borrower or Manager to or from the tenant under the Levitz Lease simultaneously with the giving of such notice to such tenant, or in the case of notices received by such Borrower or Manager from the tenant under the Levitz Lease, within five (5) Business Days after receipt of such

written notice and (iv) Borrowers shall be able to freely reallocate rent payable under the Levitz Lease and Lender shall not withhold its consent to an amendment of the Levitz Lease on account of a reallocation of rent or a release of a Property in accordance with Section 2.4.2. Notwithstanding anything to the contrary contained herein, Borrowers may reduce the amount of rent payable under the Levitz Lease, at any time, provided that (A) no Event of Default shall have commenced and then be continuing; (B) the aggregate amount of all such rent reductions (after taking into account any previous rent reductions, but excluding any reductions of Rent made in connection with a Severed Lease or Severed Property (all of which are defined in the Levitz Lease) pursuant to Section 29.02 of the Levitz Lease) shall not exceed \$600,000; and (C) Borrowers shall (i) make a prepayment of Principal in an amount equal to (x) .85 times the amount obtained by dividing the amount of the rent reduction being made by (y) 0.10, and (ii) pay all accrued and unpaid interest on the Principal being prepaid pursuant to clause (i).

4.13 Estoppel Statement. After request by Lender, Borrowers shall within ten days furnish Lender with a statement addressed to Lender, its successors and assigns, duly acknowledged and certified, setting forth (i) the unpaid Principal, (ii) the interest rate, (iii) the date installments of interest and/or Principal were last paid, (iv) any offsets or defenses to the payment of the Debt, and (v) that the Loan Documents are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification. After request by Lender (but no more frequently than twice in any year as to any one Borrower), each Borrower (x) shall furnish to Lender within ten days, a certificate addressed to Lender, its successors and assigns reaffirming all representations and warranties of such Borrower set forth in the Loan Documents as of the date requested by Lender or, to the extent of any changes to any such representations and warranties, so stating such changes, and (y) use commercially reasonable efforts to obtain and deliver to Lender within 30 days, tenant estoppel certificates addressed to Lender, its successors and assigns from each tenant at such Borrower's Property in form and substance reasonably satisfactory to Lender.

4.14 Property Management.

4.14.1 Management Agreement. Borrower shall cause each Property to be managed by Manager pursuant to the Management Agreement.

4.14.2 Termination of Manager. Notwithstanding anything contained in this Agreement to the contrary, any Borrower may from time to time appoint a successor manager to manage its Property, which successor manager shall be approved in writing by Lender in Lender's reasonable discretion. Notwithstanding the foregoing, any successor manager selected hereunder by a Borrower to serve as Manager (i) shall be a reputable management company having at least seven (7) years' experience in the management of commercial properties with similar uses as the Property in question and in the same geographic area in which the Property in question is located and (ii) shall not be paid management fees in excess of fees which are market fees for comparable managers of comparable properties in the same geographic area.

4.15 Expenses. Borrowers shall reimburse Lender upon receipt of notice for all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Lender in connection with (i) the preparation, negotiation, execution and

delivery of this Agreement, related documents and the consummation of the transactions contemplated thereby and all the costs of furnishing all opinions by counsel for Borrower; (ii) Borrowers' and Lender's ongoing performance under and compliance with the Loan Documents, including confirming compliance with environmental and insurance requirements; (iii) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications of or under any Loan Document and any other documents or matters requested by Lender; (iv) filing and recording of any Loan Documents; (v) title insurance, surveys, inspections and appraisals; (vi) the creation, perfection or protection of Lender's Liens in the Properties, (vii) enforcing or preserving any rights in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting any Borrower, the Loan Documents, the Properties, or any other security given for the Loan; and (viii) enforcing any obligations of or collecting any payments due from any Borrower under any Loan Document or with respect to any Property or in connection with any refinancing or restructuring of the Loan in the nature of a "work-out", or any insolvency or bankruptcy proceedings. The obligations and liabilities of Borrowers under this Section 4.15 shall survive the Term and the exercise by Lender of any of its rights or remedies under the Loan Documents, including the acquisition of the Properties or any of them by foreclosure or a conveyance in lieu of foreclosure.

4.16 Indemnity.

4.16.1 Indemnity Obligations. Borrowers shall defend, indemnify and hold harmless Lender and each of its Affiliates and their respective successors and assigns, including the directors, officers, partners, members, shareholders, participants, employees, professionals and agents of any of the foregoing and each other Person, if any, who controls Lender, its Affiliates or any of the foregoing (each, an "INDEMNIFIED PARTY"), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for an Indemnified Party in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not Lender shall be designated a party thereto, court costs and costs of appeal at all appellate levels, investigation and laboratory fees, consultant fees and litigation expenses), that may be imposed on, incurred by, or asserted against any Indemnified Party (collectively, the "INDEMNIFIED LIABILITIES") in any manner, relating to or arising out of or by reason of the Loan, including: (i) any breach by Borrower of its obligations under, or any misrepresentation by any Borrower contained in, any Loan Document; (ii) the use or intended use of the proceeds of the Loan; (iii) any information provided by or on behalf of any Borrower, or contained in any documentation approved by any Borrower; (iv) ownership of the Mortgage; any Property or any interest therein, or receipt of any Rents; (v) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Property or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (vi) any use, nonuse or condition in, on or about any Property or on adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (vii) performance of any labor or services or the furnishing of any materials or other property in respect of any Property; (viii) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Substance on, from or affecting any Property; (ix) any personal injury (including wrongful death) or property damage (real or

personal) arising out of or related to such Hazardous Substance; (x) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Substance; (xi) any violation of the Environmental Laws which is based upon or in any way related to such Hazardous Substance, including the costs and expenses of any Remedial Work; (xii) any failure of any Property to comply with any Legal Requirement; (xiii) any claim by brokers, finders or similar persons claiming to be entitled to a commission in connection with any Lease or other transaction involving any Property or any part thereof, or any liability asserted against Lender with respect thereto; and (xiv) the claims of any lessee of any portion of any Property or any Person acting through or under any lessee or otherwise arising under or as a consequence of any Lease; provided, however, that Borrowers shall not have any obligation to any Indemnified Party hereunder to the extent that it is finally judicially determined that such Indemnified Liabilities arise from the gross negligence, illegal acts, fraud or willful misconduct of such Indemnified Party. If any Indemnified Party becomes involved in any action, proceeding or investigation in connection with any transaction or matter referred to or contemplated in this Agreement, Borrowers shall periodically reimburse any Indemnified Party upon demand therefor in an amount equal to its reasonable legal and other expenses (including the costs of any investigation and preparation) incurred in connection therewith. To the extent that the undertaking to indemnify, defend and hold harmless set forth in the preceding sentence may be unenforceable because it violates any law or public policy, Borrowers shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by any Indemnified Party. Any amounts payable to any Indemnified Party by reason of the application of this paragraph shall become immediately due and payable. The obligations and liabilities of Borrowers under this Section 4.16.1 shall survive the Term and the exercise by Lender of any of its rights or remedies under the Loan Documents, including the acquisition of the Properties or any of them by foreclosure or a conveyance in lieu of foreclosure.

5. NEGATIVE COVENANTS

Until the end of the Term, each Borrower covenants and agrees with Lender that it will not, directly or indirectly:

5.1 Management Agreement. Without Lender's prior written consent: (i) surrender, terminate, cancel, extend or renew the Management Agreement or otherwise replace the Manager or enter into any other management agreement (except pursuant to Section 4.14.2); (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; (iv) otherwise modify, change, supplement, alter or amend in any material respect, or waive or release any of its rights and remedies under, the Management Agreement; or (v) suffer or permit the occurrence and continuance of a default beyond any applicable cure period under the Management Agreement (or any successor management agreement) if such default permits the Manager to terminate the Management Agreement (or such successor management agreement);

5.2 Liens. Without Lender's prior written consent, create, incur, assume, permit or suffer to exist any Lien on all or any portion of the Property or any legal or beneficial ownership interest in any Borrower, except Liens in favor of Lender and Permitted Encumbrances, unless such Lien is

bonded or discharged within 30 days after Borrower first receives notice of such Lien;

5.3 Change In Business or Operation of Property. Enter into any line of business other than the ownership and operation of its Property, or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business or otherwise cease to operate its Property as a retail and/or warehouse property or terminate such business for any reason whatsoever (other than temporary cessation in connection with renovations to or development of such Property);

5.4 Debt Cancellation. Cancel or otherwise forgive or release any claim or debt owed to such Borrower by any Person, except for adequate consideration and in the ordinary course of such Borrower's business in its reasonable judgment;

5.5 Assets. Purchase or own any property other than its Property (other than the acquisition of the fee estate of any Property);

5.6 Transfers. Make, suffer or permit the occurrence of any Transfer other than a Permitted Transfer, nor Transfer any License required for the operation of its Property;

5.7 Debt. Create, incur or assume any indebtedness other than the Debt and unsecured trade payables incurred in the ordinary course of business relating to the ownership and operation of its Property and are paid within thirty (30) days of the date incurred;

5.8 Assignment of Rights. Without Lender's prior written consent, attempt to assign such Borrower's rights or interest under any Loan Document in contravention of any Loan Document;

5.9 Principal Place of Business. Change its principal place of business or chief executive office without first giving Lender 30 days' prior notice;

5.10 Corporate Organization. Make or permit any material change, amendment or modification to the organizational documents of Borrower, Borrower Member or any Borrower Representative;

5.11 ERISA. Maintain, sponsor, contribute to or become obligated to contribute to, or suffer or permit any ERISA Affiliate of such Borrower to, maintain, sponsor, contribute to or become obligated to contribute to, any Plan or any Welfare Plan or permit the assets of such Borrower to become "plan assets," whether by operation of law or under regulations promulgated under ERISA.

6. INSURANCE; CASUALTY; AND CONDEMNATION

6.1 Insurance.

6.1.1 Coverage. Each Borrower, at its sole cost, for the mutual benefit of Borrower

and Lender, shall obtain and maintain during the Term the following policies of insurance with respect to such Borrower's Property:

(1) Property insurance insuring against loss or damage by standard, "all-risk" perils (which shall include coverage for damage or destruction caused by the acts of "Terrorists" (or such policies shall have no exclusion from coverage with respect thereto)), which shall (i) be in an amount equal to the greatest of (A) the then full replacement cost of such Property without deduction for physical depreciation, (B) the unpaid Principal, and (C) such amount as is necessary so that the insurer would not deem such Borrower a co-insurer under such policies, (ii) have deductibles no greater than the lesser of \$100,000 or 5% of net cash flow per occurrence, (iii) be paid annually in advance and (iv) contain a "Replacement Cost Endorsement" with a waiver of depreciation.

(2) Flood insurance if any part of such Property is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards and in which flood insurance is available, in an amount at least equal to the lesser of: (i) the greater of (A) the then full replacement cost of such Property without deduction for physical depreciation and (B) the unpaid Principal and (ii) the maximum limit of coverage available with respect to such Property.

(3) Commercial general public liability insurance, including broad form property damage, blanket contractual and personal injuries (including death resulting therefrom) coverages and containing minimum limits per occurrence of \$1,000,000 and \$2,000,000 in the aggregate for any policy year; together with at least \$10,000,000 excess and/or umbrella liability insurance for any and all claims, including all legal liability imposed upon such Borrower and all court costs and attorneys' fees incurred in connection with the ownership, operation and maintenance of such Property.

(4) Rental loss and/or business interruption insurance in an amount equal to the estimated Rents for the next succeeding 18-month period. The amount of such insurance shall be increased from time to time during the Term as and when the estimated or actual Rents increase.

(5) Insurance against loss or damage from (i) leakage of sprinkler systems and (ii) explosion of steam boilers, air conditioning equipment, high pressure piping, machinery and Equipment, pressure vessels or similar apparatus now or hereafter installed in any of the Improvements (without exclusion for explosions), in an amount at least equal to \$2,000,000 or such higher amount Lender may require at any time.

(6) Worker's compensation insurance with respect to any employees of such Borrower, as required by any Legal Requirement.

(7) During any period of repair or restoration, builder's "all-risk" insurance in an amount equal to not less than the full insurable value of such Property, against such risks (including fire and extended coverage and collapse of the Improvements to agreed limits) as Lender may request, in form and substance acceptable to Lender.

(8) Coverage to compensate for the cost of demolition and the increased cost of

construction in an amount satisfactory to Lender.

(9) Earthquake coverage and such other insurance (including environmental liability insurance and windstorm insurance) as may from time to time be reasonably required by Lender in order to protect its interests.

(10) The amount of deductibles, if any, under the foregoing Policies shall be satisfactory to Lender in its sole and absolute discretion.

6.1.2 Policies. All policies of insurance (the "POLICIES") required pursuant to Section 6.1.1 shall (i) be issued by companies approved by Lender and licensed to do business in the State, with a claims paying ability rating of "AA"; (ii) name Lender and its successors and/or assigns as their interest may appear as the mortgagee (in the case of property insurance) or an additional insured (in the case of liability insurance); (iii) contain (in the case of property insurance) a Non-Contributory Standard Lender Clause and a Lender's Loss Payable Endorsement, or their equivalents, naming Lender as the person to which all payments made by such insurance company shall be paid; (iv) contain a waiver of subrogation against Lender; (v) be assigned and the originals thereof delivered to Lender; (vi) contain such provisions as Lender deems reasonably necessary or desirable to protect its interest, including endorsements providing that neither any Borrower, Lender nor any other party shall be a co-insurer under the Policies and that Lender shall receive at least 30 days' prior written notice of any modification, reduction or cancellation of any of the Policies; and (vii) be satisfactory in form and substance to Lender and approved by Lender as to amounts, form, risk coverage, deductibles, loss payees and insureds. Borrowers shall pay the premiums for such Policies (the "INSURANCE PREMIUMS") as the same become due and payable and furnish to Lender evidence of the renewal of each of the Policies together with receipts for or other evidence of the payment of the Insurance Premiums reasonably satisfactory to Lender. If Borrowers do not furnish such evidence and receipts at least 30 days prior to the expiration of any expiring Policy, then Lender may, but shall not be obligated to, procure such insurance and pay the Insurance Premiums therefor, and Borrowers shall reimburse Lender for the cost of such Insurance Premiums promptly on demand. Borrowers shall deliver to Lender a certified copy of each Policy within 30 days after its effective date. Within 30 days after request by Lender, Borrowers shall obtain such increases in the amounts of coverage required hereunder as may be reasonably requested by Lender, taking into consideration changes in the value of money over time, changes in liability laws, changes in prudent customs and practices, and the like.

6.2 Casualty.

6.2.1 Notice; Restoration. If any Property is damaged or destroyed, in whole or in part, by fire or other casualty (a "CASUALTY"), Borrowers shall give prompt notice thereof to Lender. Following the occurrence of a Casualty, Borrowers, regardless of whether insurance proceeds are available, shall promptly proceed to restore, repair, replace or rebuild such Property in accordance with Legal Requirements to be of at least equal value and of substantially the same character as prior to such damage or destruction.

6.2.2 Settlement of Proceeds. In the event of a Casualty covered by any of the

Policies (an "INSURED Casualty") where the loss does not exceed \$250,000, provided no Default or Event of Default has occurred and is continuing, Borrowers may settle and adjust any claim without the prior written consent of Lender; provided such adjustment is carried out in a competent and timely manner, and Borrowers are hereby authorized to collect and receipt for the insurance proceeds (the "PROCEEDS"). In the event of an Insured Casualty where the loss equals or exceeds \$250,000 (a "SIGNIFICANT CASUALTY"), Lender may, in its reasonable discretion, settle and adjust any claim without the consent of any Borrower and agree with the insurer(s) on the amount to be paid on the loss, and the Proceeds shall be due and payable solely to Lender and held by Lender and disbursed in accordance herewith. If any Borrower or any party other than Lender is a payee on any check representing Proceeds with respect to a Significant Casualty, the applicable Borrower(s) shall immediately endorse, and cause all such third parties to endorse, such check payable to the order of Lender. Each Borrower hereby irrevocably appoints Lender as its attorney-in-fact, coupled with an interest, to endorse such check payable to the order of Lender. The expenses incurred by Lender in the settlement, adjustment and collection of the Proceeds shall become part of the Debt and shall be reimbursed by Borrowers to Lender upon demand.

6.3 Condemnation.

6.3.1 Notice; Restoration. Borrowers shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding affecting the Property (a "CONDEMNATION") and shall deliver to Lender copies of any and all papers served in connection with such Condemnation. Following the occurrence of a Condemnation, Borrowers, regardless of whether an Award is available, shall promptly proceed to restore, repair, replace or rebuild the affected Property in accordance with Legal Requirements to the extent practicable to be of at least equal value and of substantially the same character (and to have the same utility) as prior to such Condemnation.

6.3.2 Collection of Award. Lender is hereby irrevocably appointed as each Borrower's attorney-in-fact, coupled with an interest, with exclusive power to collect, receive and retain any award or payment in respect of a Condemnation (an "AWARD") and to make any compromise, adjustment or settlement in connection with such Condemnation. Notwithstanding any Condemnation (or any transfer made in lieu of or in anticipation of such Condemnation), Borrowers shall continue to pay the Debt at the time and in the manner provided for in the Loan Documents, and the Debt shall not be reduced unless and until any Award shall have been actually received and applied by Lender to expenses of collecting the Award and to discharge of the Debt. Lender 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 at the rate or rates provided in the Note. If the affected Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of such Award, Lender shall have the right, whether or not a deficiency judgment on the Note shall be recoverable or shall have been sought, recovered or denied, to receive all or a portion of the Award sufficient to pay the Debt. Each Borrower shall cause any Award that is payable to such Borrower to be paid directly to Lender. Lender shall hold such Award and disburse such Award in accordance with the terms hereof.

6.4 Application of Proceeds or Award.

6.4.1 Application to Restoration. In the event of an Insured Casualty or Condemnation where (i) the loss is in an aggregate amount less than the 15% of the unpaid Principal, (ii) in the reasonable judgment of Lender, the affected Property can be restored within six months, and prior to six months before the Stated Maturity Date and prior to the expiration of the rental or business interruption insurance with respect thereto, to the affected Property's pre-existing condition and utility as existed immediately prior to such Insured Casualty or Condemnation and to an economic unit not less valuable and not less useful than the same was immediately prior to the Insured Casualty or Condemnation, and after such restoration will adequately secure the Debt and (iii) no Default or Event of Default shall have occurred and be then continuing, then the Proceeds or the Award, as the case may be (after reimbursement of any expenses incurred by Lender), shall be applied to reimburse the applicable Borrower for the cost of restoring, repairing, replacing or rebuilding the affected Property (the "RESTORATION"), in the manner set forth herein. The applicable Borrower shall commence and diligently prosecute such Restoration. Notwithstanding the foregoing, in no event shall Lender be obligated to apply the Proceeds or Award to reimburse any Borrower for the cost of Restoration unless, in addition to satisfaction of the foregoing conditions, Borrowers shall pay (and if required by Lender, Borrowers shall deposit with Lender in advance) all costs of such Restoration in excess of the net amount of the Proceeds or the Award made available pursuant to the terms hereof.

6.4.2 Application to Debt. Except as provided in Section 6.4.1, any Proceeds and/or Award may, at the option of Lender in its discretion, be applied to the sum of (i) accrued but unpaid interest on the Note, (ii) the unpaid Principal and (iii) other charges due under the Note and/or any of the other Loan Documents (such sum, the "AGGREGATE CASUALTY/CONDEMNATION PREPAYMENT AMOUNT"), or applied to reimburse the applicable Borrower for the cost of any Restoration, in the manner set forth in Section 6.4.3.

6.4.3 Procedure for Application to Restoration. If any Borrower is entitled to reimbursement out of the Proceeds or an Award held by Lender, such Proceeds or Award shall be disbursed from time to time upon Lender being furnished with (i) evidence satisfactory to Lender of the estimated cost of completion of the Restoration, (ii) a fixed price or guaranteed maximum cost construction contract for Restoration satisfactory to Lender, (iii) prior to the commencement of Restoration, all immediately available funds in addition to the Proceeds or Award that in Lender's judgment are required to complete the proposed Restoration, (iv) such architect's certificates, waivers of lien, contractor's sworn statements, title insurance endorsements, bonds, plats of survey, permits, approvals, licenses and such other documents and items as Lender may reasonably require and approve in Lender's discretion, and (iv) all plans and specifications for such Restoration, such plans and specifications to be approved by Lender prior to commencement of any work. Lender may, at Borrowers' expense, retain a consultant to review and approve all requests for disbursements, which approval shall also be a condition precedent to any disbursement. No payment made prior to the final completion of the Restoration shall exceed 90% of the value of the work performed from time to time; funds other than the Proceeds or Award shall be disbursed prior to disbursement of such Proceeds or Award; and at all times, the undisbursed balance of such Proceeds or Award remaining in the hands of Lender, together with funds deposited for that purpose or irrevocably committed to the satisfaction of Lender by or on behalf of Borrowers for that purpose,

shall be at least sufficient in the reasonable judgment of Lender to pay for the cost of completion of the Restoration, free and clear of all Liens or claims for Lien. Provided no Default or Event of Default then exists, any surplus that remains out of the Proceeds held by Lender after payment of such costs of Restoration shall be paid to the applicable Borrower. Any surplus that remains out of the Award received by Lender after payment of such costs of Restoration shall, in the discretion of Lender, be retained by Lender and applied to payment of the Debt or returned to the applicable Borrower.

6.4.4 Ground Lease. If Lender shall have the right or option hereunder to apply Proceeds or an Award to payment of the Debt, but under any controlling provision in any Ground Lease, Lease or in the Levitz Lease, such Proceeds or Award are required to be applied to Restoration of a Collateral Property, then notwithstanding anything to the contrary in this Article 6, such Proceeds or Award shall be applied to Restoration in accordance with such Ground Lease, Lease or the Levitz Lease, subject to such conditions and procedures as Lender may impose which are not inconsistent with the terms of such Ground Lease, Lease or the Levitz Lease, as applicable.

7. DEFAULTS

7.1 Events of Default. An "Event of Default" shall exist with respect to the Loan if any of the following shall occur:

(1) any portion of the Debt (including any payment due under Article 2) is not paid when due;

(2) any of the Taxes are not paid when due, subject to Borrowers' right to contest Taxes in accordance with Section 4.2;

(3) the Policies are not kept in full force and effect, or are not delivered to Lender upon request;

(4) a Transfer other than a Permitted Transfer occurs;

(5) any representation or warranty made by any Borrower or Guarantor or in any Loan Document, or in any report, certificate, financial statement or other instrument, agreement or document furnished by any Borrower or Guarantor in connection with any Loan Document, shall be false or misleading in any material respect as of the date the representation or warranty was made;

(6) any Borrower, Borrower Member, any Borrower Representative or Guarantor shall make an assignment for the benefit of creditors, or shall generally not be paying its debts as they become due;

(7) a receiver, liquidator or trustee shall be appointed for any Borrower, Borrower Member, any Borrower Representative or Guarantor; or any Borrower, Borrower Member, any Borrower Representative or Guarantor shall be adjudicated a bankrupt or insolvent; or any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar

federal or state law, shall be filed by or against, consented to, or acquiesced in by, any Borrower, Borrower Member, any Borrower Representative, or Guarantor as the case may be; or any proceeding for the dissolution or liquidation of any Borrower, Borrower Member, any Borrower Representative or Guarantor shall be instituted; provided, however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by such Borrower, Borrower Member, any Borrower Representative or Guarantor, as the case may be, only upon the same not being discharged, stayed or dismissed within 60 days;

(8) any Borrower breaches any negative covenant contained in Section 5;

(9) except as expressly permitted hereunder, the actual or threatened alteration, improvement, demolition or removal of all or any of portion of the Improvements without the prior written consent of Lender;

(10) an Event of Default as defined or described elsewhere in this Agreement or in any other Loan Document occurs; or any other event shall occur or condition shall exist, if the effect of such event or condition is to accelerate or to permit Lender to accelerate the maturity of any portion of the Debt;

(11) any Borrower or Guarantor shall be in default under any term, covenant or provision set forth herein or in any other Loan Document which specifically contains a notice requirement or grace period and such notice has been given and such grace period has expired;

(12) any Borrower fails to (A) notify Lender of the occurrence of a Default within ten (10) days of the day on which such Borrower first has knowledge of such Default or (B) give any notice due to any Person under any Loan Document (a) within two (2) days after such notice was due or (b) in accordance with the applicable procedural requirements set forth in the Loan Documents;

(13) Intentionally Omitted;

(14) with the exception of the following Borrowers: HL Fairless Hills, L.P., HL Deptford, L.L.C., HL Scottsdale, L.L.C. and HL Glendale, L.L.C., any Borrower shall fail to pay when due any rent, additional rent or other charge payable under any Ground Lease; or any Borrower shall default in the observance or performance of any other term, covenant or condition of any Ground Lease and such default is not cured within 10 days prior to the expiration of any applicable grace period provided therein; or any event shall occur that would cause any Ground Lease to terminate without notice or action by the landlord thereunder or would entitle such landlord to terminate any Ground Lease and the term thereof by giving notice to the applicable Borrower; or the leasehold estate created by any Ground Lease shall be surrendered or any Ground Lease shall be terminated or canceled for any reason or under any circumstance whatsoever; or any term of any Ground Lease shall be modified or supplemented without Lender's consent or Borrower shall fail to exercise its option to renew any Ground Lease prior to the expiration of the period during which such option may be exercised, or, after exercising such option, shall fail or neglect to pursue diligently all actions necessary to exercise such renewal rights pursuant to the applicable Ground

Lease;

(15) any Borrower shall continue to be in default under any of the other terms, covenants or conditions of this Agreement or any other Loan Document not otherwise specified in this Section 7.1, for ten days after notice to such Borrower from Lender, in the case of any default which can be cured by the payment of a sum of money, or for 30 days after notice from Lender in the case of any other default; provided, however, that if such non-monetary default is susceptible of cure but cannot reasonably be cured within such 30-day period, and such Borrower shall have commenced to cure such default within such 30-day period and thereafter diligently and expeditiously proceeds to cure the same, such 30-day period shall be extended for an additional period of time as is reasonably necessary for such Borrower in the exercise of due diligence to cure such default, such additional period not to exceed 60 days;

(16) any Guarantor shall continue to be in default under any Guaranty for ten days after notice to such Guarantor from Lender, in the case of any default which can be cured by the payment of a sum of money, or for 30 days after notice from Lender in the case of any other default; provided, however, that if such non-monetary default is susceptible of cure but cannot reasonably be cured within such 30-day period, and such Guarantor shall have commenced to cure such default within such 30-day period and thereafter diligently and expeditiously proceeds to cure the same, such 30-day period shall be extended for an additional period of time as is reasonably necessary for such Guarantor in the exercise of due diligence to cure such default, such additional period not to exceed 60 days; or

(17) if any Borrower shall continue to be in default under any of the terms, covenants or conditions of the Levitz Lease and such default is not cured prior to the expiration of the applicable grace period provided therein.

(18) Notwithstanding anything contained to the contrary in this Agreement, with respect to each of HL Fairless Hills, L.P., HL Deptford, L.L.C., HL Scottsdale, L.L.C. and HL Glendale, L.L.C., and its respective Property, any Transfer, Lien, judgment, or encumbrance arising out of such Borrower's failure to comply with any provision of its Ground Lease shall not be an Event of Default

7.2 Remedies.

7.2.1 Acceleration. Upon the occurrence of an Event of Default (other than an Event of Default described in paragraph (6) or (7) of Section 7.1) and at any time and from time to time thereafter, in addition to any other rights or remedies available to it pursuant to the Loan Documents or at law or in equity, Lender may take such action, without notice or demand, that Lender deems advisable to protect and enforce its rights against any or all Borrowers and in and to the Properties; including declaring the Debt to be immediately due and payable (including unpaid interest through the date of repayment (compounded monthly), interest at the Default Rate and any other amounts owing by Borrowers), without notice or demand; and upon any Event of Default described in paragraph (6) or (7) of Section 7.1, the Debt (including unpaid interest, interest at the Default Rate and any other amounts owing by Borrowers) shall immediately and automatically

become due and payable, without notice or demand, and each Borrower hereby expressly waives any such notice or demand, anything contained in any Loan Document to the contrary notwithstanding.

7.2.2 Remedies Cumulative. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Lender against Borrowers under the Loan Documents or at law or in equity may be exercised by Lender at any time and from time to time, whether or not all or any of the Debt shall be declared, or be automatically, due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Lender may determine in its discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth in the Loan Documents. Without limiting the generality of the foregoing, each Borrower agrees that if an Event of Default is continuing, (i) to the extent permitted by applicable law, Lender is not subject to any "one action" or "election of remedies" law or rule, and (ii) all Liens and other rights, remedies or privileges provided to Lender shall remain in full force and effect until Lender has exhausted all of its remedies against the Properties, the Mortgages have been foreclosed, the Properties have been sold and/or otherwise realized upon in satisfaction of the Debt or the Debt has been paid in full. To the extent permitted by applicable law, nothing contained in any Loan Document shall be construed as requiring Lender to resort to any particular Property or any portion of any Property for the satisfaction of any of the Debt in preference or priority to any other Property or portion, and Lender may seek satisfaction out all or less than all of the Properties or any part of any Property, in its discretion.

7.2.3 Delay. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default, or the granting of any indulgence or compromise by Lender shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Default or Event of Default shall not be construed to be a waiver of any subsequent Default or Event of Default or to impair any remedy, right or power consequent thereon. Notwithstanding any other provision of this Agreement, Lender reserves the right to seek a deficiency judgment or preserve a deficiency claim in connection with the foreclosure of any Mortgage to the extent necessary to foreclose on all or less than all of the Properties, the Rents, or any other collateral.

7.2.4 Lender's Right to Perform. If any Borrower fails to perform any covenant or obligation contained herein and such failure shall continue for a period of (5) five Business Days after such Borrower's receipt of written notice thereof from Lender, without in any way limiting Lender's right to exercise any of its rights, powers or remedies as provided hereunder, or under any of the other Loan Documents, Lender may, but shall have no obligation to, perform, or cause performance of, such covenant or obligation, and all costs, expenses, liabilities, penalties and fines of Lender incurred or paid in connection therewith shall be payable by Borrowers to Lender upon demand and if not paid shall be added to the Debt (and to the extent permitted under applicable laws,

secured by the Mortgages and other Loan Documents) and shall bear interest thereafter at the Default Rate. Notwithstanding the foregoing, Lender shall have no obligation to send notice to any Borrower of any such failure.

8. MISCELLANEOUS

8.1 Exculpation. Subject to the qualifications below, Lender shall not enforce the liability and obligation of any Borrower to perform and observe the obligations contained in the Loan Documents by any action or proceeding wherein a money judgment shall be sought against such Borrower, except that Lender may bring a foreclosure action, an action for specific performance or any other appropriate action or proceeding to enable Lender to enforce and realize upon its interest and rights under the Loan Documents, or in all or any of the Properties, the Rents or any other collateral given to Lender pursuant to the Loan Documents; provided, however, that, except as specifically provided herein, any judgment in any such action or proceeding shall be enforceable against a Borrower only to the extent of such Borrower's interest in the Properties, in the Rents and in any other collateral given to Lender, and Lender shall not sue for, seek or demand any deficiency judgment against any Borrower in any such action or proceeding under or by reason of or under or in connection with any Loan Document. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by any Loan Document; (ii) impair the right of Lender to name one or more Borrowers as a party defendant in any action or suit for foreclosure and sale under any Mortgage; (iii) affect the validity or enforceability of any of the Loan Documents or any guaranty made in connection with the Loan or any of the rights and remedies of Lender thereunder; (iv) impair the right of Lender to obtain the appointment of a receiver; (v) impair the enforcement of the Assignment of Leases; (vi) constitute a prohibition against Lender to commence any other appropriate action or proceeding in order for Lender to fully realize the security granted by the Mortgages or to exercise its remedies against the Properties or any of them; or (vii) constitute a waiver of the right of Lender to enforce the liability and obligation of Borrowers, by money judgment or otherwise, to the extent of any loss, damage, cost, expense, liability, claim or other obligation incurred by Lender (including attorneys' fees and costs reasonably incurred) arising out of or in connection with the following: (a) fraud or intentional misrepresentation by any Borrower or any guarantor in connection with the Loan; (b) the gross negligence or willful misconduct of any Borrower; (c) the breach of any representation, warranty, covenant or indemnification in any Loan Document concerning Environmental Laws or Hazardous Substances, including Sections 3.1.32 and 4.10, and clauses (viii) through (xi) of Section 4.16.1; (d) physical waste or after an Event of Default, the removal or disposal of any portion of any Property; (e) the misapplication or conversion by any Borrower of (x) any Proceeds paid by reason of any Insured Casualty, (y) any Award received in connection with a Condemnation, or (z) any Rents or refund of Taxes (including any distributions or payments to members/partners/shareholders of any Borrower during a period which Lender did not receive the full amounts required to be paid to Lender under the Loan Documents); (f) failure to pay charges for labor or materials or other charges that can create Liens on any portion of any Property unless such charges are the subject of a bona fide dispute in which a Borrower is contesting the amount or validity thereof; and (g) any security deposits collected with respect to any Property which are not delivered to Lender upon a foreclosure of the applicable Mortgage or action in lieu thereof, except to the extent any such security deposits were applied in accordance with the terms and conditions of any of the Leases prior

to the occurrence of the Event of Default that gave rise to such foreclosure or action in lieu thereof.

Notwithstanding anything to the contrary in this Agreement or any of the Loan Documents, (A) Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt in accordance with the Loan Documents, and (B) the Debt shall be fully recourse to Borrowers in the event that (1) any Borrower or any Person owning an interest (directly or indirectly) in any Borrower commences any action, suit, claim, arbitration, governmental investigation or other proceeding (x) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors seeking to have an order for relief entered with respect to any Borrower, or seeking to adjudicate any Borrower a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to any Borrower or any Borrower's debts, or (y) seeking appointment of a receiver, trustee, custodian or other similar official for any Borrower or for all or substantially all of any Borrower's assets or (2) any interest in any Property or any Borrower is Transferred other than a Permitted Transfer.

8.2 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document (a "NOTICE") shall be given in writing and shall be effective for all purposes if hand delivered or sent (i) by certified or registered United States mail, postage prepaid, or (ii) by (A) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, and (B) telecopier (with answer back acknowledged), in any case addressed as follows (or to such other address or Person as a party shall designate from time to time by notice to the other party): If to Lender: Acadia Realty Limited Partnership, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, Attention: Robert Masters, Esq., Facsimile: (914) 288-2139; if to Borrowers or any of them: c/o Klaff Realty, LP, 122 South Michigan Avenue, Suite 1000, Chicago, Illinois 60603, Attention: Hersch Klaff and Keith J. Brown, Facsimile: (312) 360-0606, with copies to Klehr, Harrison, Harvey, Branzburg & Eilers LLP, 260 South Broad Street, Philadelphia, Pennsylvania 19102, Attention: Heather Levine, Facsimile (215) 568-6603. A notice shall be deemed given when delivered (or if delivery is refused, when refused).

8.2.1 Borrowers' Agent.

(1) Each of the Borrowers hereby makes, constitutes and appoints Borrowers' Agent the true and lawful attorney-in-fact of such Borrower, with the power from time to time, in the name, place and stead of such Borrower to give and receive notices of any kind on behalf of such Borrower under this Agreement or any of the other Loan Documents. Any notice given by Lender to Borrower's Agent shall be deemed to have been given to each and every Borrower.

(2) If Borrowers' Agent is not an individual, Borrowers' Agent shall notify Lender of the names of its senior executive officers authorized to request and take other actions on behalf of Borrowers. Lender shall be entitled to rely conclusively on any such officer's authority to give and receive notices and take other all other actions of any kind on behalf of Borrowers or any of

them until Lender receives written notice to the contrary. Lender shall have no duty to verify the authenticity of the signature appearing on any notice.

8.3 Brokers and Financial Advisors. Each Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the Loan. Borrowers shall indemnify and hold Lender harmless from and against any and all claims, liabilities, costs and expenses (including attorneys' fees, whether incurred in connection with enforcing this indemnity or defending claims of third parties) of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of Borrowers or any of them in connection with the transactions contemplated herein. The provisions of this Section 8.3 shall survive the expiration and termination of this Agreement and the repayment of the Debt.

8.4 Survival. This Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of the Note, and shall continue in full force and effect so long as any of the Debt is unpaid or such longer period if expressly set forth in this Agreement. All Borrowers' covenants and agreements in this Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of Lender.

8.5 Lender's Discretion. Whenever pursuant to this Agreement or any other Loan Document, Lender exercises any right given to it to approve or disapprove, or consent or withhold consent, or any arrangement or term is to be satisfactory to Lender or is to be in Lender's discretion, the decision of Lender to approve or disapprove, to consent or withhold consent, or to decide whether arrangements or terms are satisfactory or not satisfactory, or acceptable or unacceptable or in Lender's discretion shall (except as is otherwise specifically herein provided) be in the sole discretion of Lender and shall be final and conclusive.

8.6 Governing Law.

(1) THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK AND THE PROCEEDS OF THE NOTE DELIVERED PURSUANT HERETO WERE DISBURSED FROM THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIENS CREATED PURSUANT TO THE LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE VALIDITY AND THE ENFORCEABILITY OF ALL LOAN DOCUMENTS AND THE DEBT. TO THE

FULLEST EXTENT PERMITTED BY LAW, EACH BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO Section 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(2) ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR ANY BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN NEW YORK COUNTY, NEW YORK AND EACH BORROWER WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING. EACH BORROWER DOES HEREBY DESIGNATE AND APPOINT CT CORPORATION SYSTEM AT 163 BROADWAY, NEW YORK, NEW YORK 10019, AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS AND WRITTEN NOTICE OF SAID SERVICE OF SUCH BORROWER MAILED OR DELIVERED TO SUCH BORROWER IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON SUCH BORROWER (UNLESS LOCAL LAW REQUIRES ANOTHER METHOD OF SERVICE), IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. EACH BORROWER (i) SHALL GIVE PROMPT NOTICE TO LENDER OF ANY CHANGED ADDRESS OF ITS AUTHORIZED AGENT HEREUNDER, (ii) MAY AT ANY TIME AND FROM TIME TO TIME DESIGNATE A SUBSTITUTE AUTHORIZED AGENT WITH AN OFFICE IN NEW YORK, NEW YORK (WHICH OFFICE SHALL BE DESIGNATED AS THE ADDRESS FOR SERVICE OF PROCESS), AND (iii) SHALL PROMPTLY DESIGNATE SUCH A SUBSTITUTE IF ITS AUTHORIZED AGENT CEASES TO HAVE AN OFFICE IN NEW YORK, NEW YORK OR IS DISSOLVED WITHOUT LEAVING A SUCCESSOR.

8.7 Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to or demand on any Borrower shall entitle any Borrower to any other or future notice or demand in the same, similar or other circumstances.

8.8 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under any other Loan Document, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future

exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under any Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under the Loan Documents, or to declare an Event of Default for failure to effect prompt payment of any such other amount.

8.9 Trial by Jury. BORROWERS AND LENDER HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWERS AND LENDER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EITHER PARTY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY THE OTHER.

8.10 Headings/Exhibits. The Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. The Exhibits attached hereto, are hereby incorporated by reference as a part of the Agreement with the same force and effect as if set forth in the body hereof.

8.11 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.12 Preferences. Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by any Borrower to any portion of the Debt. To the extent any Borrower makes a payment to Lender, or Lender receives proceeds of any collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Debt or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender. This provision shall survive the expiration or termination of this Agreement and the repayment of the Debt.

8.13 Waiver of Notice. No Borrower shall be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Agreement or any other Loan Document specifically and expressly requires the giving of notice by Lender to such Borrower and except with respect to matters for which such Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Each Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which no Loan Document

specifically and expressly requires the giving of notice by Lender to such Borrower.

8.14 Remedies of Borrower. If a claim or adjudication is made that Lender or any of its agents, has acted unreasonably or unreasonably delayed acting in any case where by law or under any Loan Document, Lender or any such agent, as the case may be, has an obligation to act reasonably or promptly, Borrowers agree that neither Lender nor its agents, shall be liable for any monetary damages, and Borrowers' sole remedy shall be to commence an action seeking injunctive relief or declaratory judgment. Any action or proceeding to determine whether Lender has acted reasonably shall be determined by an action seeking declaratory judgment. Each Borrower specifically waives any claim against Lender and its agents, with respect to actions taken by Lender or its agents on such Borrower's behalf.

8.15 Prior Agreements. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements, understandings and negotiations among or between such parties, whether oral or written, are superseded by the terms of this Agreement and the other Loan Documents.

8.16 Offsets, Counterclaims and Defenses. Each Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Lender or its agents, or otherwise offset any obligations to make payments required under the Loan Documents. Any assignee of Lender's interest in and to the Loan Documents shall take the same free and clear of all unrelated offsets, counterclaims or defenses which a Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by any Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by each Borrower.

8.17 No Usury. Borrowers and Lender intend at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits Lender to contract for, charge, take, reserve or receive a greater amount of interest than under state law) and that this Section 8.17 shall control every other agreement in the Loan Documents. If the applicable law (state or federal) is ever judicially interpreted so as to render usurious any amount called for under the Note or any other Loan Document, or contracted for, charged, taken, reserved or received with respect to the Debt, or if Lender's exercise of the option to accelerate the maturity of the Loan or any prepayment by any Borrower results in any Borrower having paid any interest in excess of that permitted by applicable law, then it is Borrowers' and Lender's express intent that all excess amounts theretofore collected by Lender shall be credited against the unpaid Principal and all other Debt (or, if the Debt has been or would thereby be paid in full, refunded to Borrowers), and the provisions of the Loan Documents immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and

spread throughout the full stated term of the Loan until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate from time to time in effect and applicable to the Debt for so long as the Debt is outstanding. Notwithstanding anything to the contrary contained in any Loan Document, it is not the intention of Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

8.18 Conflict; Construction of Documents. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that each is represented by separate counsel in connection with the negotiation and drafting of the Loan Documents and that the Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

8.19 No Third Party Beneficiaries. The Loan Documents are solely for the benefit of Lender and Borrowers and nothing contained in any Loan Document shall be deemed to confer upon anyone other than the Lender and Borrowers any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

8.20 Assignment. The Loan, the Note, the Loan Documents and/or Lender's rights, title, obligations and interests therein may be assigned by Lender and any of its successors and assigns to any Person at any time in its discretion, in whole or in part, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise. Upon such assignment, all references to Lender in this Loan Agreement and in any Loan Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of Lender. No Borrower may assign its rights, title, interests or obligations under this Loan Agreement or under any of the Loan Documents.

8.21 Sale of the Properties. With the prior written consent of Lender, which may be given or withheld in Lender's sole discretion, Borrowers may simultaneously sell all (but not less than all) of the Properties provided that the purchaser assumes in writing all of the obligations of Borrowers under the Loan Documents; and provided further that (i) no Default or Event of Default shall have occurred; and (ii) Lender shall have received from Borrowers (A) such legal opinions with respect to enforceability, authorization and such other matters as Lender may reasonably request, (B) title insurance policies or endorsements as may be reasonably required by Lender to assure the validity and priority of the Liens of the Mortgages and (C) an assumption fee equal to 1% of the unpaid Principal being assumed together with all expenses incurred by the Lender in connection with such Special Transfer.

8.22 Joint and Several. The Borrowers shall be jointly and severally liable for payment of the Debt and performance of all other obligations of Borrowers (or any of them) under this Agreement or any other Loan Document.

8.23 Counterparts; No Defenses. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which

shall together constitute one and the same instrument. Borrower represents that it has no defenses, offsets or counterclaims with respect to its obligations under the Loan Documents, and the Loan Documents are hereby ratified and remain in full force and effect.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

LEVITZ SL WOODBRIDGE, L.L.C.
LEVITZ SL ST. PAUL, L.L.C.
LEVITZ SL LA PUENTE, L.L.C.
LEVITZ SL OXNARD, L.L.C.
LEVITZ SL WILLOWBROOK, L.L.C.
LEVITZ SL NORTHRIDGE, L.L.C.
LEVITZ SL SAN LEANDRO, L.L.C.
LEVITZ SL SACRAMENTO, L.L.C.
HL BREA, L.L.C.
HL DEPTFORD, L.L.C.
HL HAYWARD, L.L.C.
HL SAN JOSE, L.L.C.
HL SCOTTSDALE, L.L.C.
HL TORRANCE, L.L.C.
HL IRVINE 1, L.L.C.
HL WEST COVINA, L.L.C.
HL GLENDALE, L.L.C.
HL NORTHRIDGE, L.L.C.

each a Delaware limited liability company

By:

Keith Brown
Authorized Representative

[Signatures continued on following page]

LEVITZ SL LANGHORNE, L.P., a Delaware limited partnership

By: Levitz SL-GP, L.L.C., a Delaware limited liability company, its general partner

By: -----
Keith Brown
Authorized Representative

HL FAIRLESS HILLS, L.P., a Delaware limited partnership

By: HL GP, L.L.C., a Delaware limited liability company, its general partner

By: -----
Keith Brown
Authorized Representative

LENDER:

ACADIA REALTY LIMITED PARTNERSHIP, a Delaware limited partnership

By: Acadia Realty Trust, a Maryland real estate investment trust, its general partner

By: -----
Name:
Title:

[Signatures continued on following page]

The L-A Guarantors hereby agree to the provisions of Section 4.9

LUBERT-ADLER REAL ESTATE FUND II, LP, a Delaware limited partnership

By: Lubert-Adler Group, LLC, its sole general partner

By: -----
Name:
Title:

LUBERT-ADLER REAL ESTATE PARALLEL FUND II, LP, a Delaware limited partnership

By: Lubert-Adler Group, LLC, its sole general partner

By: _____
Name:
Title:

Klaff Realty, LP hereby agrees to the provisions of Section 4.9

KLAFF REALTY, LP, a Delaware limited partnership

By: Klaff Realty, Limited, an Illinois corporation, its sole general partner

By: _____
Name:
Title:

Schedule 1

Fee Title Properties

1. Property Location: Oxnard, 2420 N. Oxnard Blvd., Oxnard, CA 93030-2090
2. Property Location: St. Paul, 3201 Country Dr., St. Paul, MN 55117-1096
3. Property Location: Northridge, 19350 Nordhoff St., Northridge, CA
91324-2492

Leasehold Properties

4. (A) Property Location: Woodbridge, 429 Route 1 South, Iselin, NJ 08830-3009
06489-1594

(B) Ground Lease:

1. Ground Lease, dated October 28, 1966, by and between Mario Cellentani and Helen Cellentani (Landlord) and Litwin Properties, Inc. (Tenant).
2. Assignment of Lease by and between Woodbridge Mall No. 2, Inc. (formerly known as Litwin Properties, Inc.), as assignor, and Carthay Realty Corp., as assignee.
3. Assignment of Lease, dated June 29, 1973, by and between Carthay Realty Corp., as assignor, and Mann Theatres Corporation of California, as assignee.
4. Acceptance of Assignment, dated July 1, 1973, by Mann Theatres Corporation.
5. Assignment of Lease, dated February 1, 1980, by and between Theatres Corporation of California, as assignor, to Levitz Furniture Corporation of the Eastern Region, Inc., as assignee.

5. (A) Property Location: Willowbrook, 531 Route 46, Fairfield, NJ 07004-1907

(B) Ground Lease:

1. Ground Lease, dated November 22, 1971, by and between Peerage Equities Corporation (Lessor) and Spice Properties Co., Inc. (Lessee).
2. Lease Agreement, dated November 22, 1971, by and between Peerage Equities Corporation (Lessor) and Levitz Furniture Corporation (Lessee).
3. Assignment of Lease, dated November 22, 1971, by and between Peerage Equities Corporation (Assignor) and Spice Properties Co., Inc. (Assignee).
4. Assignment of Lease and Agreement, dated November 22, 1971, by and between Spice Properties Co., Inc. (Assignor) and Levitz Furniture Corporation (Assignee).
5. Lease Assignment and Assumption Agreement, dated September 30,

1996, by and between Levitz Furniture Corporation (Assignor) and Levitz Furniture Realty Corporation (Assignee).

6. (A) Property Location: Langhorne, 1661 East Lincoln Highway, Langhorne, PA 19047-3096

(B) Ground Lease:

1. Lease, dated May 1, 1973, by and between Quint Leasing Company (Lessor) and Levitz Furniture Corporation (Lessee).
2. Letter, dated October 9, 1992, by Levitz Furniture Corporation electing to extend the term of the Lease until June 30, 2003.

7. (A) Property Location: San Leandro, 3199 Alvarado Street, San Leandro, CA 94577-5790

(B) Ground Lease:

1. Lease Agreement, dated as of August 25, 1971, by and between Peerage Equities Corporation (Lessor) and Levitz Furniture Corporation (Lessee).
2. Warranty Deed dated 8/25/71 between Peerage Equities Corporation and Ruth E. Jensen (Building and Improvements only).
3. Assignment of Levitz Lease dated 8/25/71 between Peerage Equities Corporation, as assignor, and Ruth E. Jensen, as assignee.
4. First Amendment to Lease Agreement, dated December 21, 1971.
5. Warranty Deed dated 12/31/71 between Peerage Equity Corporation, as grantor and Corporate Property Investors, as grantee (land only exclusive of any buildings).
6. Warranty Deed, dated March 3, 1981, between Ruth E. Jensen, as grantor, and Frederick G. Gould, grantee (Buildings and Improvements only).
7. Assignment of Ground Lease, dated March 3, 1981, between Ruth E. Jensen, assignor, and Frederick G. Gould, as assignee.
8. Assignment of Levitz Lease, dated March 3, 1981, between Ruth E. Jensen, as assignor, and Frederick G. Gould, as assignee.
9. General Assignment, dated March 3, 1981, between Ruth E. Jensen, as assignor, and Frederick G. Gould, as assignee.
10. Warranty Deed dated October 11, 1982, between Frederick G. Gould, as grantor and John A. Washburn, as grantee (Buildings and Improvements only).
11. Assignment of Ground Lease, dated October 11, 1982, between Frederick G. Gould, as assignor, and John A. Washburn, as assignee.
12. Assignment of Levitz Lease, dated October 11, 1982, between Frederick G. Gould, as assignor, and John A. Washburn, as assignee.
13. General Assignment, dated as of October 11, 1982, between Frederick G. Gould, as assignor, and John A. Washburn, as assignee.
14. Notice to Levitz Furniture Corporation of assignment of lease.
15. Letter, dated October 29, 1996, by Levitz Furniture Corporation exercising its first option to extend Lease from July 1, 1997 to June 30,

2002.

8. (A) Property Location: Sacramento, 4741 Watt Avenue, North Highlands, CA
95660-5515

(B) Ground Lease:

1. Agreement of Lease, dated as of March 9, 1970, by and between A&A Key Builders Supply, Inc. and B&B Enterprises, Inc. (Lessor) and Levitz Furniture Co. of Santa Clara, Inc. (Lessee).
2. Resolution, dated May 26, 1970, amending the Articles of Incorporation for Levitz Furniture Company of Santa Clara to read, Levitz Furniture Company of Northern California, Inc.
3. Resolution, dated March 21, 1973, amending the Articles of Incorporation of Levitz Furniture Company of Northern California, Inc. to read, Levitz Furniture Company of the Pacific, Inc.
4. Letter, dated April 27, 1994, by Levitz Furniture Corporation exercising its first option to extend the Lease from September 1, 1995 to August 31, 2005.
5. Option to Purchase, dated as of March 9, 1970, by and between A&A Key Builders Supply, Inc. and B&B Enterprises, Inc. (Lessor) and Levitz Furniture Co. of Santa Clara, Inc. (Lessee).

9. (A) Property Location: La Puente, 17520 E. Castleton Street, City of
Industry, CA 91744-1701

(B) Ground Lease:

1. Lease, dated March 1, 1979, by and between Wincorp Industries Inc. (Landlord) and Levitz Furniture Corporation (Tenant).
2. Letter, dated July 1, 1980, from Wincorp Industries Inc. to Levitz Furniture Corporation giving notice of commencement date as June 29, 1980.
3. First Amendment to Lease, dated September 1, 1979, between Wincorp Industries, Inc., a Delaware corporation, and Levitz Furniture Corporation.

Homelife Properties

10. (A) Property Location: The Court of Oxford Valley, 110 Commerce Boulevard,
Oxford Valley, PA 19030 (Store No. 4065)

(B) Ground Lease:

1. Specialty Store Lease dated January 25, 1995 by and between Oxford Valley Road Associates, as landlord, and Sears, Roebuck and Co. ("Sears"), as tenant.
2. Amendment to Specialty Store Lease dated March 27, 1995 by and between Oxford Valley Road Associates and Sears.
3. Lease Supplement dated March 5, 1996 between Oxford Valley Road

Associates and Sears.

4. Assignment and Assumption of Leases dated February 1, 1999 between Sears and Homelife Corporation ("Homelife").
5. Assignment and Assumption of Lease Agreement dated February 15, 2002 between Homelife and HL Fairless Hills, LP.

11. (A) Property Location: 13732 Jamboree Road, Tustin, CA 92602 (Store No. 4108)

(B) Ground Lease:

1. Lease dated December 15, 1995 by and between Irvine Retail Properties Company, as landlord, and Sears, as tenant.
2. Lease Supplement dated January 22, 1997 between Irvine Retail Properties Company and Sears.
3. First Amendment to Lease dated May 26, 1998 between Irvine Retail Properties Company and Sears.
4. Assignment and Assumption of Leases dated February 1, 1999 between Sears and Homelife.
5. Assignment and Assumption of Lease Agreement dated January 25, 2002 between Homelife and HL Irvine 1, L.L.C.

12. (A) Property Location: 19800 Hawthorne Boulevard, Suite 280, Torrance CA 90503 (Store No. 4109)

(B) Ground Lease:

1. Lease dated May 3, 1996 by and between Gateway Pioneer, Inc. No. 1, as landlord, and Sears, as tenant.
2. Lease Supplement dated January 14, 1997 between Gateway Pioneer, Inc. No. 1 and Sears.
3. Assignment and Assumption of Leases dated February 1, 1999 between Sears and Homelife.
4. Assignment and Assumption of Lease Agreement dated February 15, 2002 between Homelife and HL Torrance, L.L.C.

13. (A) Property Location: 2335 E. Imperial Highway, Brea, CA 92821 (Store No. 4189)

(B) Ground Lease:

1. Lease dated January 7, 1999 by and between BUP II Partners, as landlord, and Sears, as tenant.
2. Assignment and Assumption of Leases dated February 1, 1999 between Sears and Homelife.
3. First Amendment to Lease dated September 19, 2000 between BUP II Partners and Homelife.
4. Assignment and Assumption of Lease Agreement dated January 25, 2002 between Homelife and HL Brea, L.L.C.

14. (A) Property Location: 2753 Eastland Center Drive #2000, West Covina, CA 91790 (Store No. 4307)

(B) Ground Lease:

1. Lease dated April 13, 200 by and between Eastland Shopping Center LLC, as landlord, and Homelife, as tenant.
2. Lease Amendment No. 1 dated August 31, 2000 between Eastland Shopping Center LLC and Homelife.
3. Assignment and Assumption of Lease Agreement dated _____, 2002 between Homelife and HL West Covina, L.L.C.

15. (A) Property Location: 1561 Almonesson Road, Deptford, NJ 08096 (Store No. 4334)

(B) Ground Lease:

1. Specialty Store Lease dated February 17, 1997 by and between Almonesson Associates II, LLC, as landlord, and Sears, as tenant.
2. Amendment to Specialty Store Lease dated March 21, 1997 between Almonesson Associates II, LLC and Sears.
3. Lease Supplement dated July 27, 1998 between Almonesson Associates II, LLC and Sears.
4. Assignment and Assumption of Leases dated February 1, 1999 between Sears and Homelife.
5. Assignment and Assumption of Lease Agreement dated February 15, 2002 between Homelife and HL Deptford, L.L.C.

16. (A) Property Location: 680 W. Winton Road, Hayward, CA 94545 (Store No. 4349)

(B) Ground Lease:

1. Sublease dated February 1, 1999 by and between Sears, as sublandlord, and Homelife, as subtenant.
2. Lease Supplement dated September 22, 2000 between Sears and Homelife.
3. Assignment and Assumption of Sublease Agreement dated January 25, 2002 between Homelife and HL Hayward, L.L.C.

17. (A) Property Location: 9130 E. Indian Bend Road, Scottsdale, AZ 85250 (Store No. 4497)

(B) Ground Lease:

1. Lease dated February 11, 1991 by and between Pima Grande Development, as landlord, and Sears, as tenant.
2. Short Form Memorandum of Lease dated February 11, 1991 between Pima Grande Development, as landlord, and Sears, as

tenant.

3. Lease Supplement dated November 7, 1991 between Pima Grande Development and Sears.
4. First Amendment to Lease dated June 6, 1997 between Pima Grande Development and Sears.
5. Assignment and Assumption of Leases dated February 1, 1999 between Sears and Homelife.
6. Assignment and Assumption of Lease Agreement dated March 7, 2002 between Homelife and HL Scottsdale, L.L.C.

18. (A) Property Location: 5353 Almaden Expressway, Suite 5C San Jose, CA
(Store No. 4019)

(B) Ground Lease:

1. Sublease dated February 1, 1999 by and between Sears, as sublandlord, and Homelife, as subtenant.
2. Assignment and Assumption of Sublease Agreement dated _____, 2002 between Homelife and HL San Jose, L.L.C.

19. (A) Property Location: 9301 Tampa, Avenue, Northridge, CA 91325

(B) Ground Lease:

1. Lease dated February 1, 2002 between Sears and HL Northridge, L.L.C.

20. (A) Property Location: 314 N. Central Avenue, Glendale, CA 91203

(B) Ground Lease:

1. Lease dated February 1, 2002 between Sears and HL Glendale, L.L.C.

SCHEDULE 2

INTENTIONALLY OMITTED

SCHEDULE 3

EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

Exception to 3.1.14 - Currently there is a pending condemnation matter with respect to St. Paul, MN.

Exception to 3.1.19 - Currently there exists a special tax assessment for Oxnard, CA.

Exception to 3.1.24 - Certain building components were stolen at the Northridge, CA property.

SCHEDULE 4

INTENTIONALLY OMITTED

SCHEDULE 5

ORGANIZATION OF BORROWER

(SEE ATTACHED)

SCHEDULE 6

INTENTIONALLY OMITTED

SCHEDULE 7

INTENTIONALLY OMITTED

SCHEDULE 8

PROPERTY CONDITION REPORTS

REPORT: PROPERTY CONDITION ASSESSMENT
PROVIDER: PARAGON ENVIRONMENTAL SERVICES

	PROPERTY	LOCATION	DATE OF REPORT
	-----	-----	-----
1	NORTHRIDGE	NORTHRIDGE, CA	SEPTEMBER 20, 2001
2	WOODBIDGE	WOODBIDGE, NJ	SEPTEMBER 17, 2001
3	OXNARD	OXNARD, CA	SEPTEMBER 21, 2001
4	ST. PAUL	ST. PAUL, MN	SEPTEMBER 19, 2001
5	LANGHORNE	LANGHORNE, PA	MAY 27, 1999
6	WILLOWBROOK	FAIRFIELD, NJ	SEPTEMBER 18, 2001
7	LA PUENTE	CITY OF INDUSTRY, CA	SEPTEMBER 19, 2001
8	SACRAMENTO	NORTH HIGHLAND, CA	MAY 27, 1999
9	SAN LEANDRO	SAN LEANDRO, CA	SEPTEMBER 19, 2001

SCHEDULE 9

INTENTIONALLY OMITTED

RECORDING REQUESTED BY AND
AFTER RECORDING RETURN TO:
Midland Loan Services, Inc.
10851 Mastin, Suite 700
Overland Park, KS 66210
Attention: Mindy S. Planer

Mortgage and Security Agreement dated as of June 5, 2003, executed by Seller in favor of Original Lender, filed for record on June 24, 2003, in the Commission of Records for the City and County of Philadelphia, Pennsylvania (the "Recording Office") as Instrument No. 50697188 (the "Security Instrument"), as assigned to Lender pursuant to that certain Assignment of Mortgage and Security Agreement dated as of June 10, 2003, executed by Original Lender, filed for record on August 4, 2004, in the Recording Office as Instrument No. 50985495 ("Assignment of Mortgage").

Loan Number 03-0238961

CONSENT AND ASSUMPTION
AGREEMENT WITH RELEASE

This Consent and Assumption Agreement With Release (this "Agreement") is entered into as of June 16, 2006 by and among THOR CHESTNUT HILL, LP, a Delaware limited partnership, and THOR CHESTNUT HILL II, LP, a Delaware limited partnership, jointly and severally, as tenants-in-common, having an address at 139 Fifth Avenue, New York, New York 10010 (collectively, "Seller"), JOSEPH J. SITT, an individual, having an address at 139 Fifth Avenue, New York, New York 10010 ("Original Principal"), ACADIA CHESTNUT LLC, a Delaware limited liability company, having an address at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605 ("Buyer"), ACADIA REALTY LIMITED PARTNERSHIP, a Delaware limited partnership, having an address at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605 (referred to herein as "New Principal" or "New Property Manager"), WELLS FARGO BANK, N.A., successor by consolidation to Wells

Fargo Bank Minnesota, N.A., as Trustee under the Pooling and Servicing Agreement dated as of December 1, 2003, for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates Series 2003-C5, having an address at c/o Midland Loan Services, Inc., 10851 Mastin, Suite 700, Overland Park, KS 66210, Re: Loan Number 03-0238961 ("Lender").

RECITALS

A. Seller is the owner of certain real property located in Philadelphia County, Commonwealth of Pennsylvania, commonly known as The Borders and Shoppes at Chestnut Hill, which real property is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. Such real property, together with all improvements, fixtures and personal property located thereon, is collectively referred to as the "Property".

B. By assignment, Lender is the owner and holder of certain documents (the "Loan Documents") evidencing and securing a loan (the "Loan") made by Column Financial, Inc., a Delaware corporation ("Original Lender"), to Seller, including, without limitation, the:

- (i) Promissory Note dated as of June 5, 2003, in the original principal amount of \$10,500,000.00, executed by Seller, as maker, in favor of Original Lender (the "Note").
- (ii) Mortgage and Security Agreement dated as of June 5, 2003, executed by Seller in favor of Original Lender, filed for record on June 24, 2003, in the Commission of Records for the City and County of Philadelphia, Pennsylvania (the "Recording Office") as Instrument No. 50697188 (the "Security Instrument"), as assigned to Lender pursuant to that certain Assignment of Mortgage and Security Agreement dated as of June 10, 2003, executed by Original Lender, filed for record on August 4, 2004, in the Recording Office as Instrument No. 50985495 ("Assignment of Mortgage").
- (iii) Assignment of Leases and Rents dated as of June 5, 2003, executed by Seller in favor of Original Lender, filed for record on June 24, 2003, in the Recording Office as Instrument No. 50697189 (the "Assignment of Leases"), as assigned to Lender pursuant to that certain Assignment of Assignment of Leases and Rents dated as of June 10, 2003, executed by Original Lender, filed for record on June 24, 2003, in the Recording Office as Instrument No. 50697189 ("Assignment of ALR").
- (iv) Hazardous Substances Indemnity Agreement dated as of June 5, 2003, executed by Seller and Original Principal in favor of Original Lender (the "Original Hazardous Substances Indemnity Agreement").
- (v) Indemnity and Guaranty Agreement dated as of June 5, 2003, executed by Original Principal in favor of Original Lender (the "Original Guaranty").
- (vi) Certain UCC financing statements executed by Seller, as debtor, in favor of Original Lender, as secured party, which financing statements have been assigned of record to Lender ("Original UCCs").

C. Midland Loan Services, Inc., a Delaware corporation, services the Loan for Lender, as Master Servicer ("Servicer"), pursuant to that certain Pooling and Servicing Agreement dated as

of December 1, 2003, by and among Credit Suisse First Boston Mortgage Securities Corp., as Depositor, Servicer, as Master Servicer, Clarion Partners, LLC, as Special Servicer, Wells Fargo Bank Minnesota, N.A., predecessor-in-interest to Wells Fargo Bank, N.A., as Trustee (the "Pooling and Servicing Agreement").

D. Seller and Buyer are parties to a Real Estate Purchase and Sale Agreement dated as of March 15, 2006 (the "Purchase Agreement"), pursuant to which the Property is to be transferred to Buyer and Buyer is to assume the Loan (the "Transfer and Assumption"), and Seller and Buyer have requested that Lender consent to the Transfer and Assumption.

E. Subject to the terms and conditions of this Agreement, Lender has agreed to consent to the Transfer and Assumption.

AGREEMENT

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

1. CONSENT TO TRANSFER. Subject to satisfaction of all of the conditions contained herein, Lender consents to the Transfer and Assumption and, in connection therewith, to a change in management of the Property from Thor Equities LLC, a Delaware limited liability company ("Original Property Manager"), to New Property Manager. This consent is strictly limited to the Transfer and Assumption described in this Agreement. This Agreement shall not constitute a waiver or modification of any requirement of obtaining Lender's consent to any future transfer of the Property or any portion thereof or interest therein or future change in property management, nor shall it constitute a modification of the terms, provisions, or requirements in the Loan Documents in any respect except as expressly provided herein. Buyer specifically acknowledges that any subsequent transfer of any interest in any of the Property or interest in Buyer or change in property management in violation of the Loan Documents shall be a default thereunder. The Loan Documents are hereby ratified and, except as expressly modified in this Agreement, remain unmodified and are in full force and effect.

2. LOAN INFORMATION. The parties hereto agree that as of the date hereof:

- (a) The outstanding principal balance of the Note is \$10,074,623.52.
- (b) The interest rate of the Note is a fixed rate of 5.45% per annum.
- (c) The maturity date of the Note is June 11, 2013.
- (d) The following listed payments are due and payable on the eleventh (11th) day of each and every calendar month as of the date of Closing (as hereinafter defined):
 - (i) \$59,288.87 principal and interest installments;
 - (ii) \$19,491.75 Impound Account (as defined in the Security Instrument) deposits;
 - (iii) \$677.50 Replacement Reserve (as defined in the Security Instrument) deposits; and
- (e) Deposits to the TILC reserve shall be made in accordance with the Loan Documents.

- (f) The current balance of each escrow account held by Lender with respect to the Loan Note is:
 - (i) \$105,045.85 Impound Account (as defined in the Security Instrument);
 - (ii) \$11,985.59 Replacement Reserve (as defined in the Security Instrument);
 - (iii) \$14,375.00 Repair and Remediation Reserve (as defined in the Security Instrument) after the increase to such reserve contemplated by Section 35(f) hereof; and
 - (iv) \$0.00 TILC Reserve (as defined in the Security Instrument);
- (g) All required payments due through June 11, 2006, under the Loan Documents have been paid.
- (h) Lender is the current owner and holder of the Loan Documents.

3. CONDITIONS. In addition to any other conditions set forth herein or required by Lender, the following are conditions precedent that must be satisfied prior to the closing of the Transfer and Assumption (the "Closing"):

- (a) The execution, acknowledgment, delivery and recordation of this Agreement by all of the parties concurrently with the Closing.
- (b) The execution, delivery and recordation or filing, as applicable, of one or more new financing statements, or amendments to existing financing statements as required by Lender at Closing.
- (c) Buyer's delivery to Lender of satisfactory evidence that all insurance over the Property required by the Loan Documents (the "Required Insurance") is in full force and effect as of the Closing, with all required premiums paid, and contains a mortgagee's clause (the "Mortgagee's Clause") satisfactory to Lender in favor of Wells Fargo Bank, N.A., successor by consolidation to Wells Fargo Bank Minnesota, N.A., as Trustee under the Pooling and Servicing Agreement dated as of December 1, 2003, for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates Series 2003-C5, and its successors and/or assigns, c/o Midland Loan Services, Inc., Master Servicer, 10851 Mastin, Suite 700, Overland Park, KS 66210; re: Loan Number 030238961.
- (d) Lender's receipt of satisfactory Title Endorsements (hereinafter defined).
- (e) The full release and reconveyance of any other liens or monetary encumbrances against the Property.
- (f) Lender's receipt of all of the Required Payments (hereinafter defined).
- (g) Lender's receipt of legal opinions from counsel for Buyer in form and substance satisfactory to Lender.
- (h) Lender's receipt of a W9 form from Buyer.

- (i) Execution by Buyer and New Principal and delivery to Lender of a new Hazardous Substances Indemnity Agreement in form and substance acceptable to Lender in its sole and absolute discretion (the "New Hazardous Substances Indemnity Agreement").
- (j) Execution by New Principal and delivery to Lender of a new Indemnity and Guaranty Agreement in form and substance acceptable to Lender in its sole and absolute discretion (the "New Guaranty").
- (k) Buyer shall enter into a Cash Management Agreement in form and substance acceptable to Lender.
- (l) Bank of America shall enter into a Deposit Account Agreement in form and substance acceptable to Lender.
- (m) Dismissal with Prejudice of that certain lawsuit (the "Lawsuit"), Thor Chestnut Hill, L.P., a Delaware limited partnership and Thor Chestnut Hill, L.P., a Delaware limited partnership, Plaintiffs, against Wells Fargo Bank, N.A. f/k/a Wells Fargo Bank Minnesota, N.A., as trustee for the Registered Holders of Credit Suisse First Boston Mortgage Security Corp. Commercial Mortgage Pass-Through Certificates, Series 2003-C5, Case Number 2:05-CV-02765-LDD, pending in the United States District Court, Eastern District of Pennsylvania, pursuant to the Dismissal attached hereto.

4. FEES, PAYMENT AND EXPENSES. Buyer covenants and agrees to pay to Lender at Closing the following (the "Required Payments"):

- (a) \$25,186.56, which represents an assumption fee for Lender's consent to the Transfer and Assumption (the "Assumption Fee") and an application fee of \$5,000.00.

The Required Payments and any other fees and adjustments due and owing under the Loan Documents or in connection with the Transfer and Assumption shall be paid in accordance with Lender's settlement charges statement (the "Settlement Statement") delivered at Closing for signature by Buyer and Seller. In addition, at Closing, Buyer shall pay all of Lender's attorneys' fees incurred in connection with this Agreement or the Transfer and Assumption in the amount set forth on the Settlement Statement.

5. TITLE ENDORSEMENTS. At Closing, Buyer shall (a) cause First American Title Insurance Company to issue such endorsements to Lender's mortgagee's title insurance policy (Policy No. 294833) in such form as Lender may require ("Title Endorsements"), including showing that the Buyer is the owner of the Property, changing the effective date of such title policy to the date of the Closing, and showing that the Loan Documents are in a first lien position, and (b) pay the cost of the Title Endorsements, any escrow, filing or recording fees applicable to this transaction, and any other costs and expenses incurred in connection with this Agreement or this transaction, including, without limitation, attorneys' fees.

6. BUYER'S ASSUMPTION OF LOAN; FINANCING STATEMENTS. Buyer hereby expressly assumes the obligation to pay the unpaid balance due and owing on the Loan, all interest thereon as provided in the Note and all other obligations under the Loan Documents, with the same force and effect as if Buyer had been specifically named therein as the original maker, borrower or grantor, as applicable. Without limiting the generality of the foregoing, Buyer expressly assumes the obligation to pay all loan installments as they become due and to observe all obligations of the Loan Documents. Buyer's assumption of the foregoing obligations (a) is absolute, unconditional and is not subject to any defenses, waivers, claims or offsets, (b) shall not be affected or impaired by any agreement, condition,

statement or representation of any person or entity other than Lender. Buyer expressly agrees that it has read, approved and will comply with and be bound by all of the terms, conditions, and provisions contained in the Loan Documents. Buyer specifically agrees that if the Note is recourse, Lender's remedies shall not in any respect or extent be limited solely to the Property or any other collateral securing the Loan.

Buyer and New Principal, by their execution of this Agreement, jointly and severally, agree to reimburse, defend, indemnify and hold Lender, its officers, agents, loan servicers and employees harmless from and against any and all liabilities, claims, damages, penalties, expenditures, losses or charges (including, but not limited to, all legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent or tortious conduct of Buyer or New Principal, in connection with this Agreement or the Property, including the intentional misrepresentation of financial data presented to Lender.

Buyer hereby authorizes Lender to file one or more new financing statements, or amendments to existing financing statements, covering fixtures and personal property collateral included in the Property and covered by the security agreement contained in the Loan Documents, without signature of Buyer where permitted by law. Buyer acknowledges and agrees that Lender continues to have a security interest in all fixtures, personal property and other property described in the Loan Documents (the "Collateral") transferred to Buyer by Seller and further acknowledges and agrees that Lender shall continue to have a security interest (and is hereby granted a security interest) in all Collateral whether such Collateral is now owned by Buyer or is hereafter acquired by Buyer.

7. NO REPRESENTATIONS OF LENDER. The parties hereto agree that (a) Lender has made no representations or warranty, either express or implied regarding the Property and has no responsibility whatsoever with respect to the Property, its condition, or its use, occupancy or status, and (b) no claims relating to the Property, its condition, or its use, occupancy or status, will be asserted against Lender or its agents, employees, professional consultants, affiliated entities, successors or assigns, either affirmatively or as a defense.

8. ENVIRONMENTAL MATTERS. Buyer agrees, at its sole cost and expense, to keep or cause the Property to be kept free of any hazardous, toxic or infectious substance, material, gas or waste, including, without limitation, asbestos, petroleum products and underground storage tanks, which is or becomes regulated by any governmental authority with jurisdiction over the Property or Buyer, or which has been identified as a toxic cancer-causing, or other hazardous substance (collectively the "Hazardous Materials"), and to remove or take remedial action with regard to any Hazardous Materials released into the environment at, on or near the Property, provided that:

- (a) Any such removal or remedial action shall be undertaken in a manner so as to minimize any impact on tenants of the Property.
- (b) Buyer shall indemnify Lender for any action taken by Buyer or Lender to comply with this requirement.
- (c) In the event Buyer fails to fully comply and satisfy this requirement and fails to cure such failure within 30 days after Lender gives written notice to Buyer, Lender may, at its sole option, declare the Loan immediately due and payable and/or cause the Hazardous Materials to be removed from the Property and add all costs incurred in affecting the removal to the balance of the Loan. Buyer grants to Lender and its agents and employees access to the Property and the license to remove such Hazardous Materials.

9. ENVIRONMENTAL INDEMNIFICATION. Supplementing the terms of the Loan Documents and any "New Loan Documents" (as hereinafter defined), Buyer acknowledges and agrees that it will reimburse, defend, indemnify and hold Lender, its officers, agents, loan servicers and employees harmless from and against any and all liabilities, claims, damages, penalties, expenditures, losses or charges (including, but not limited to, all costs of investigation, monitoring, legal fees, remedial response, removal, restoration or permit acquisition) which may now or in the future, be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of:

- (a) any Hazardous Materials existing on, in, above or under the Property at the time of execution of this Agreement or at any time in the future;
- (b) any investigation, monitoring, cleanup, removal, restoration, remedial response or remedial work undertaken with regard to Hazardous Materials on, in, above or under the Property.

10. SELLER'S AND ORIGINAL PRINCIPAL'S REPRESENTATIONS, WARRANTIES AND COVENANTS. Seller and Original Principal hereby represent, warrant, and covenant that:

- (a) Seller is the owner of the Property and Seller and Original Principal are duly authorized to execute, deliver and perform this Agreement.
- (b) Any court or third-party approvals necessary for Seller or Original Principal to enter into this Agreement have been obtained.
- (c) The entities and/or persons executing this Agreement on behalf of Seller and Original Principal are duly authorized to execute and deliver this Agreement.
- (d) This Agreement and the Loan Documents are in full force and effect and the transactions contemplated therein constitute valid and binding obligations of Seller and Original Principal, as applicable, enforceable against Seller and Original Principal, as applicable, in accordance with their terms, and have not been modified either orally or in writing.
- (e) Lender has not waived any requirements of the Loan Documents nor any of Lender's rights thereunder.
- (f) There is no existing "Event of Default" (as defined in the Loan Documents) or event or condition that, with the giving of notice or passage of time or both, would constitute an Event of Default.
- (g) All taxes and assessments applicable to the Property that are due and payable as of the Closing have been paid.
- (h) The next payment for real property taxes applicable to the Property is due on or before December 31, 2006.
- (i) To the best of Seller's knowledge, all representations and warranties in the Purchase Agreement are true and correct.
- (j) All representations and warranties referred to herein shall be true as of the date of this Agreement and the Closing and shall survive the Closing, provided that nothing herein shall mean or be deemed to mean that the representations and warranties in the Purchase

Agreement, which are not also specifically set forth herein, shall survive, except as may be expressly set forth in the Purchase Agreement.

- (k) Upon consummation of the Transfer and Assumption, Seller shall have no further interest in the escrow accounts held by Lender and described in subsection 2(e) of this Agreement.

Lender is entitled to rely, and has relied, upon these representations, warranties and covenants in the execution and delivery of this Agreement and all other documents and instruments executed and delivered by Lender in connection with this Agreement.

11. BUYER'S AND NEW PRINCIPAL'S REPRESENTATIONS, WARRANTIES AND COVENANTS. Buyer and New Principal hereby represent, warrant, and covenant that:

- (a) Buyer and New Principal are duly authorized to execute, deliver and perform this Agreement.
- (b) Any court or third-party approvals necessary for Buyer or New Principal to enter into this Agreement have been obtained.
- (c) The entities and/or persons executing this Agreement on behalf of Buyer or New Principal are duly authorized to execute and deliver this Agreement.
- (d) This Agreement, the "New Loan Documents" (as hereinafter defined), and the Loan Documents are in full force and effect and the transactions contemplated therein constitute valid and binding obligations of Buyer and New Principal, as applicable, enforceable against Buyer and New Principal, as applicable, in accordance with their terms and have not been modified either orally or in writing.
- (e) There is no existing Event of Default or event or condition that, with the giving of notice or passage of time or both, would constitute an Event of Default.
- (f) All taxes and assessments applicable to the Property that are due and payable as of the Closing have been paid.
- (g) The next payment for real property taxes applicable to the Property is due on or before December 31, 2006.
- (h) All representations and warranties in the Purchase Agreement are true and correct.
- (i) There is no bankruptcy, receivership or insolvency proceeding pending or threatened against Buyer or New Principal.
- (j) Neither Buyer nor New Principal has Buyer does not have any intention to do any of the following prior to the Closing or within the 180 days following the Closing: (i) seek entry of any order for relief as debtor and a proceeding under the Code (hereinafter defined), (ii) seek consent to or not contest the appointment of a receiver or trustee for itself or for all or any part of its property, (iii) file a petition seeking relief under any bankruptcy, arrangement, reorganization or other debtor relief laws, or (iv) make a general assignment for the benefit of its creditors.

- (k) All of the Required Insurance is in full force and effect, with all required premiums paid, and contains the required Mortgagee's Clause.
- (l) The general partner of New Principal is Acadia Realty Trust (the "Final Owner"). Final Owner owns 98% of New Principal and controls New Principal.
- (m) All representations and warranties referred to herein shall be true as of the date of this Agreement and the Closing and shall survive the Closing.

Lender is entitled to rely, and has relied, upon these representations, warranties and covenants in the execution and delivery of this Agreement and all other documents and instruments executed and delivered by Lender in connection with this Agreement.

12. RELEASE OF SELLER AND ORIGINAL PRINCIPAL. Lender hereby releases Seller and Original Principal from all liability and obligations under the Loan Documents arising from and after the Closing, including, but not limited to, repayment of the Loan, but excepting, without limitation (i) any environmental or other damage to the Property occurring prior to the Closing, (ii) any obligations arising from the Purchase Agreement, (iii) any liability related to or arising from Seller's acts or omissions occurring prior to the Closing, and (iv) any liability related to or arising from fraudulent or tortious conduct, including intentional misrepresentation of financial data presented to Lender.

13. RELEASE OF LENDER. Seller, for itself and for its agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys, and Original Principal, for itself and for its agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys (collectively, the "Seller Releasing Parties") jointly and severally release and forever discharge Lender, Clarion Partners, LLC and Midland Loan Services, Inc., and their respective successors, assigns, partners, directors, officers, employees, agents, attorneys, administrators, trustees, subsidiaries, affiliates, beneficiaries, shareholders and representatives from all liabilities, obligations, costs, expenses, claims and damages, at law or in equity, known or unknown, which any of the Seller Releasing Parties may now or hereafter hold or claim to hold under common law or statutory right, arising in any manner out of the Property, the Loan, any of the Loan Documents or any of the documents, instruments or any other transactions relating thereto or the transactions contemplated thereby. Without limiting the generality of the foregoing, this release shall include the following matters: (a) the Lawsuit and any and all claims that were or could have been brought therein, (b) all aspects of this Agreement and the Loan Documents, any negotiations, demands or requests with respect thereto, and (c) Lender's exercise or attempts to exercise any of its rights under this Agreement, any of the Loan Documents, at law or in equity. In connection with its release of any and all claims relating to the Lawsuit, Seller has delivered to Lender the Dismissal and agrees to take any and all actions necessary to fully dismiss the Lawsuit with prejudice. The Seller Releasing Parties agree that this release is a full, final and complete release and that it may be pleaded as an absolute bar to any or all suit or suits pending or which may thereafter be filed or prosecuted by any of the Seller Releasing Parties, or anyone claiming by, through or under any of the Seller Releasing Parties. The Seller Releasing Parties agree that this release is binding upon each of them and their respective agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys.

Buyer, for itself and for its agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys, and New Principal, for itself and for its agents, employees,

representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys (collectively, the "Buyer Releasing Parties") jointly and severally release and forever discharge Lender and Midland Loan Services, Inc., and their respective successors, assigns, partners, directors, officers, employees, agents, attorneys, administrators, trustees, subsidiaries, affiliates, beneficiaries, shareholders and representatives from all liabilities, obligations, costs, expenses, claims and damages, at law or in equity, known or unknown, which arise out of any matters occurring prior to the Closing in connection with the transactions contemplated hereby. The Buyer Releasing Parties agree that this release is a full, final and complete release and that it may be pleaded as an absolute bar to any or all suit or suits pending or which may thereafter be filed or prosecuted by any of the Buyer Releasing Parties, or anyone claiming by, through or under any of the Buyer Releasing Parties. The Buyer Releasing Parties agree that this release is binding upon each of them and their respective agents, employees, representatives, officers, directors, general partners, limited partners, joint shareholders, beneficiaries, trustees, administrators, subsidiaries, affiliates, employees, servants and attorneys.

14. REFERENCES IN THE LOAN DOCUMENTS. Seller, Original Principal, Buyer, New Principal, and Lender hereby acknowledge and agree that the terms "Mortgagee" "Grantee", "Beneficiary", "Lender" and "Assignee" contained in the Loan Documents shall be deemed to refer to Lender and its successors and/or assigns. Seller, Original Principal, Buyer, New Principal, and Lender further acknowledge and agree that from and after the date of this Agreement, the terms "Mortgagor" "Grantor", "Borrower" and/or "Assignor" contained in the Loan Documents shall be deemed to refer to Buyer.

15. RATIFICATION AND CONFIRMATION OF THE LOAN. Buyer and New Principal agree to perform each and every obligation under the Loan Documents, as specifically modified by this Agreement, and any other loan documents executed on or about the date of this Agreement for the purpose of evidencing, securing or otherwise relating to the Loan (the "New Loan Documents") in accordance with their respective terms and conditions. Buyer and New Principal ratify, affirm, reaffirm, acknowledge, confirm and agree that the Loan Documents, as specifically modified by this Agreement, remain in full force and effect and, together with any New Loan Documents, represent legal, valid and binding obligations of Buyer and New Principal, as applicable, enforceable against Buyer and New Principal, as applicable, in accordance with their terms. Buyer and New Principal agree that this Agreement does not diminish, impair, release or relinquish the liens, powers, titles, security interests and rights securing or guaranteeing payment of the Loan, including the validity or first priority of the liens and security interests encumbering the Property granted Lender by the Loan Documents and the New Loan Documents.

16. NONWAIVER. The parties hereto acknowledge and agree that (a) any performance or non-performance of the Loan Documents prior to the date of this Agreement does not affect or diminish Lender's ability to require future compliance with the Loan Documents, and (b) in the future, Lender will require strict compliance with and performance of the Loan Documents. Nothing contained herein shall be construed as a waiver of any of Lender's rights or remedies with respect to any default under this Agreement or any Loan Document.

17. BANKRUPTCY OF BUYER OR NEW PRINCIPAL. Buyer covenants and agrees that in the event Buyer shall (i) file any petition with any bankruptcy court or be the subject of any petition under the United States Bankruptcy Code (11 U.S.C. Section 101 et seq., the "Code"), (ii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors, (iii) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator, or (iv) be the subject of any order, judgment, or decree entered by any

court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or relief for debtors, Lender shall thereupon be entitled, and Buyer irrevocably consents, to the entry of an order by a bankruptcy court granting to Lender relief from any automatic stay imposed by Section 362 of the Code, or otherwise, on or against the exercise of the rights and remedies otherwise available to Lender as provided in the Loan Documents, this Agreement or as otherwise provided by law or in equity, and Buyer irrevocably waives its right to object to, attempt to enjoin or otherwise interfere with such relief and the exercise and enforcement by Lender of its rights and remedies following entry of such order. Without limiting the generality of the immediately preceding sentence, Buyer agrees that Lender will be entitled to and it consents to immediate relief from the automatic stay imposed by the Code to allow Lender to take any and all actions necessary, desirable or appropriate to enforce any rights Lender may have under the Loan Documents, including, but not limited to, the right to possession of the Property, collection of rents, and/or the commencement or continuation of an action to foreclose Lender's liens and security interests. Buyer further agrees that the filing of any petition for relief under the Code which postpones, prevents, delays or otherwise hinders Lender's efforts to collect the amounts due under the Note or to liquidate any of the collateral therefor shall be deemed to have been filed in bad faith and, therefore, shall be subject to prompt dismissal or conversion to a liquidation case under the Code upon motion therefor by Lender. Further, Buyer agrees that it will not seek, apply for or cause the entry of any order enjoining, staying, or otherwise prohibiting or interfering with Lender's obtaining an order granting relief from the automatic stay and enforcement of any rights which Lender may have under the Loan Documents, including, but not limited to, Lender's right to possession of the Property, collection of rents and/or the commencement or continuation of an action to foreclose Lender's liens and security interests under the Loan Documents.

New Principal covenants and agrees that in the event New Principal shall (i) file any petition with any bankruptcy court or be the subject of any petition under the Code, (ii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors, (iii) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator, or (iv) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or relief for debtors, Lender shall thereupon be entitled, and New Principal irrevocably consents, to the entry of an order by a bankruptcy court granting to Lender relief from any automatic stay imposed by Section 362 of the Code, or otherwise, on or against the exercise of the rights and remedies otherwise available to Lender as provided in the Loan Documents, this Agreement or as otherwise provided by law or in equity, and New Principal irrevocably waives its right to object to, attempt to enjoin or otherwise interfere with such relief and the exercise and enforcement by Lender of its rights and remedies following entry of such order. Without limiting the generality of the immediately preceding sentence, New Principal agrees that Lender will be entitled to and it hereby consents to immediate relief from the automatic stay imposed by the Code to allow Lender to take any and all actions necessary, desirable or appropriate to enforce any rights Lender may have under the Loan Documents, including, but not limited to, the right to possession of the Property, collection of rents, and/or the commencement or continuation of an action to foreclose Lender's liens and security interests. New Principal further agrees that the filing of any petition for relief under the Code which postpones, prevents, delays or otherwise hinders Lender's efforts to collect the amounts due under the Note or to liquidate any of the collateral therefor shall be deemed to have been filed in bad faith and, therefore, shall be subject to prompt dismissal or conversion to a liquidation case under the Code upon motion therefor by Lender. Further, New Principal agrees that it will not seek, apply for or cause the entry of any order enjoining, staying, or otherwise prohibiting or interfering with Lender's obtaining an order granting relief from the automatic stay and enforcement of any rights which Lender may have

under the Loan Documents, including, but not limited to, Lender's right to possession of the Property, collection of rents and/or the commencement or continuation of an action to foreclose Lender's liens and security interests under the Loan Documents.

18. COMPLIANCE WITH INTEREST LAW. It is the intention of the parties hereto to conform strictly to any present or future law which has application to the interest and other charges under the Loan Documents (the "Interest Law"). Accordingly, notwithstanding anything to the contrary in the Loan Documents, the parties hereto agree that the aggregate amount of all interest or other charges taken, reserved, contracted for, charged or received under the Loan Documents or otherwise in connection with the Loan shall under no circumstances exceed the maximum amount of interest allowed by the Interest Law. If any excess interest is provided for in the Loan Documents, then any such excess shall be deemed a mistake and canceled automatically and, if theretofore paid, shall be credited against the indebtedness evidenced and secured by the Loan Document (the "Indebtedness") (or if the Indebtedness shall have been paid in full, refunded by Lender), and the effective rate of interest under the Loan Documents shall be automatically reduced to the maximum effective contract rate of interest that Lender may from time to time legally charge under the then applicable Interest Law with respect to the Loan. To the extent permitted by the applicable Interest Law, all sums paid or agreed to be paid to Lender for the use, forbearance or detention of the Indebtedness shall be amortized, prorated, allocated and spread throughout the full term of the Loan.

19. FURTHER ASSURANCES. The parties hereto agree to do any act or execute any additional documents required by Lender, from time to time, to correct errors in the documenting of the Transfer and Assumption, to effectuate the purposes of this Agreement or to better assure, convey, assign, transfer, perfect or confirm unto Lender the property and rights intended to be given it in the Loan Documents and the New Loan Documents.

20. LIABILITY. If any party hereto consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns forever.

21. SEVERABILITY. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such term, covenant or condition and the validity or enforceability of the remaining terms, covenants or conditions shall not in any way be affected.

22. APPLICABLE LAW; JURISDICTION. This Agreement shall be governed and construed in accordance with the laws of the state in which the Property is located. The parties hereto submit to personal jurisdiction in the state courts located in said state and the federal courts of the United States of America located in said state for the enforcement of any obligations hereunder and waive any and all personal rights under the law of any other state to object to jurisdiction within such state for the purposes of any action, suit, proceeding or litigation to enforce such obligations.

23. NO RESTRICTIONS ON PERFORMANCE. The execution and delivery of this Agreement and compliance with the provisions hereof, will not conflict with, or constitute a breach of or a default under any agreement or other instrument to which any party hereto is a party or by which it is bound.

24. DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Agreement (including pronouns) shall include the corresponding masculine, feminine or neuter forms, and the singular form of such words shall include the plural and vice versa. The words "included", "includes" and "including" shall each be deemed to be

followed by the phrase, "without limitation." The words "herein", "hereby", "hereof", and "hereunder" shall each be deemed to refer to this entire Agreement and not to any particular paragraph, article or section hereof. Notwithstanding the foregoing, if any law is amended so as to broaden the meaning of any term defined in it, such broader meaning shall apply subsequent to the effective date of such amendment. Where a defined term derives its meaning from a statutory reference, any regulatory definition is broader than the statutory reference and any reference or citation to a statute or regulation shall be deemed to include any amendments to that statute or regulation and judicial and administrative interpretations of it.

25. SECURITIES ACT OF 1933. Neither Seller nor Buyer nor any agent acting for any of them has offered the Note or any similar obligation for sale to or solicited any offers to buy the Note or any similar obligation from any person or party other than Lender, and neither Seller nor Buyer nor any agent acting for any of them will take any action which would subject the sale of the Note to the provisions of Section 5 of the Securities Act of 1933, as amended.

26. COMPLIANCE WITH ERISA. As of the date of this Agreement, neither Seller, Buyer nor New Principal maintains any employee benefit plan which require compliance with ERISA. If at any time Seller, Buyer or New Principal shall institute any employee benefit plans, they shall at all times comply with the requirements of ERISA.

27. SOLE DISCRETION OF LENDER. Wherever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, Lender's decision to approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

28. HEADINGS, ETC. The headings and captions of various paragraphs of this Agreement are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

29. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

30. INTEGRATION, SURVIVAL. This Agreement, any New Loan Documents, and the Loan Documents embody the entire agreement by and between the parties hereto with respect to the Loan, and any and all prior correspondence, discussions or negotiations are deemed merged therein. Except as otherwise specifically provided herein, all obligations of any party contained in this Agreement, the New Loan Documents or the Loan Documents shall survive the Closing, and Lender hereby preserves all of its rights against all persons or entities and all collateral securing the Loan, including, without limitation, the Property.

31. NO ORAL CHANGE. This Agreement, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party hereto, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought. In addition, nothing contained in any document submitted for Lender's review, including, without limitation any organizational documents of Buyer, New Principal or any of their general partners, managers/members or officers, shall modify, amend, waive, extend, change, discharge or terminate any term or provision of the Loan Documents or constitute Lender's consent to any matter in the Loan Documents requiring Lender's consent unless and until such time, if any, as an agreement specifically

allowing such modification, amendment, waiver, extension, change discharge or termination or consenting to such matter has been executed in writing by Lender.

32. NOTICES. Except as otherwise specified herein, any notice, consent, request or other communication required or permitted hereunder shall be in writing and shall be deemed properly given if delivered in accordance with the notice requirements contained in the Loan Documents using the address for a party hereto set forth at the top of the first page of this Agreement. Any notices or other communications required or permitted under the Loan Documents shall be provided in accordance with the requirements therefor as set forth in the Loan Documents; provided, however, that from and after the date hereof the addresses of Lender and Buyer (identified as "BORROWER" in the Security Instrument), shall, subject to change as provided in the Loan Documents, be as set forth at the top of the first page of this Agreement.

33. WAIVER OF JURY TRIAL. THE PARTIES HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THE LOAN OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE NEW LOAN DOCUMENTS, OR THE LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER'S CONSENT TO THE TRANSFER AND ASSUMPTION.

34. INSURANCE. At all times Buyer shall comply with all terms of the Loan Documents, including without limitation, the insurance requirements of the Security Instrument. Although the Lender may accept certain evidence of insurance for purposes of closing this Transfer and Assumption, Lender or its servicer may at any time and from time to time request additional insurance information from Buyer to ensure or monitor Buyer's compliance with the insurance provisions of the Security Instrument and may request that Buyer provide such coverages as Lender or its servicer may require consistent with the terms of the Security Instrument. By entering into this Agreement, Lender specifically does not waive or modify any of the insurance requirements under the Security Instrument nor any of the remedies provided therein for failure to secure such required insurance coverage.

35. AMENDMENTS TO AND AGREEMENT REGARDING SECURITY INSTRUMENT.

- (a) Buyer acknowledges and agrees that from and after the date of the Security Instrument, the provisions of Section 1.13 of the Security Instrument shall apply to New Principal as if New Principal is now the sole member of Buyer.
- (b) Section 1.13(a) is hereby modified and amended to delete the first full paragraph following Section 1.13(a)(5) including subparagraphs (x), (y), and (z). The deleted first full paragraph begins with the words "Notwithstanding the foregoing, for so long as Thor Chestnut Hill Equity, L.P." and ends at the end of subparagraph (z) with the words "connection with the loan secured hereby".
- (c) Section 1.22(c) of the Security Instrument is hereby amended by deleting the addresses for Mortgagor and replacing them with the following address:

"Acadia Chestnut LLC
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605 "

Section 1.22(c) of the Security Instrument is further amended by deleting the address for Mortgagee and replacing it with the following address:

"Wells Fargo Bank, N.A. successor by consolidation to Wells Fargo Bank Minnesota, N.A., as Trustee for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates Series 2003-C5
% Midland Loan Services, Inc.
10851 Mastin, Suite 300
Overland Park, KS 66210"

- (d) Section 1.29 of the Security Instrument is hereby amended by deleting all references to "Thor Equities LLC" as the acceptable property manager and replacing them with "Acadia Realty Limited Partnership, a Delaware limited partnership."
- (e) Section 4.4 of the Security Instrument is hereby amended by deleting the notice addresses provided therein and substituting the following therefor:

"Mortgagee Wells Fargo Bank, N.A. successor by consolidation to Wells Fargo Bank Minnesota, N.A., as Trustee for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates Series 2003-C5
c/o Midland Loan Services, Inc.
10851 Mastin, Suite 300
Overland Park, KS 66210

Servicer: Midland Loan Services, Inc.
10851 Mastin, Suite 300
Overland Park, KS 66210

Mortgagor: Acadia Chestnut LLC
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605 "

- (f) Section C-1 of the Repair and Remediation Reserve is hereby modified and amended to delete from the fourth line thereof the reference to the amount of "\$6,875.00" and to replace it with the amount of "\$14,375.00". Further, the second sentence of Section C-1, which begins with the words "Manager shall cause each of the" and replacing it with the following:

Manager shall cause each of the items described in that certain Limited Property Condition Review for Loan Number 03-0238961 The Gallery at Chestnut Hill Nova Project Number B06-0867 prepared by Nova Consulting Group, Inc., dated April 14, 2006 (the "Engineering Report"), relative to the Property, a copy of which has been provided to, and receipt of which is hereby acknowledged by, Mortgagor (the "Deferred Maintenance") to be completed, performed, remediated and corrected to the satisfaction of Mortgagee and as necessary to bring the Property into compliance with all applicable laws, ordinances, rules and regulations on or before December 16, 2006, as such time period may be extended by Mortgagee in its sole discretion.

(g) Section C-2 of the Security Instrument is hereby modified and amended to delete from the 11th line hereof the reference to the amount of "\$517.83" and replace it with the amount of "\$677.50."

36. ACKNOWLEDGEMENT BY BUYER AND NEW PRINCIPAL REGARDING 1031 EXCHANGE. Buyer and New Principal have informed Lender that Buyer is acquiring the Property and assuming the Loan as part of a transaction which Buyer and New Principal anticipate will comply with the provisions of Section 1031 of the Internal Revenue Code allowing the deferment of any taxable gain or loss as the exchange of like kind property. Buyer and New Principal acknowledge that they have not relied on any advice, representations or statements of Lender or Midland Loan Services, Inc., a Delaware corporation, or their respective employees or agents concerning the tax, legal or investment consequences of Buyer's acquisition of the Property and the assumption of the Loan, including, without limiting the generality of the foregoing, whether the acquisition of the Property and assumption of the Loan will comply with the requirements of Section 1031 of the Internal Revenue Code or whether the Buyer's and New Principal's investment in the Property is suitable, but instead Buyer and New Principal have obtained such tax, legal and investment advice as to the effect of Buyer's acquisition of the Property and assumption of the Loan from their own legal and other financial advisors.

All of the membership interests of Buyer ("INTERESTS") are currently owned by CDECREE, Inc., an Illinois corporation ("ACCOMMODATOR"), which is wholly owned by Chicago Deferred Exchange Corporation. The Property has been indirectly acquired by Accommodator, as exchange accommodation titleholder, to effect a reverse like-kind exchange under Section 1031 of the Internal Revenue Code and Rev. Proc. 2000-37, 2000-2 C.B. 308. This arrangement is described in a Qualified Exchange Accommodation Agreement of even date herewith, between Accommodator and New Principal. Following the disposition by New Principal of certain relinquished property, Accommodator will transfer all of the Interests to New Principal.

In order to qualify for "like-kind" treatment under Revenue Procedure 2000-37, the disposition of the relinquished property and the transfer of the Interests to New Principal must occur on or before 180 days following the acquisition by Buyer of the Property. The Qualified Exchange Accommodation Agreement also provides that the right to cause the Accommodator to complete the transfer of the Interests to New Principal prior to the expiration of the 180 day period, and if New Principal does not exercise such right during the 180-day exchange period, Accommodator will transfer the Interests to New Principal on or before the expiration of the 180 day period.

Also, as part of the exchange transaction, the acquisition of the Property by Buyer has been financed using the proceeds of a loan made by New Principal to Accommodator and Buyer ("ACQUISITION LOAN"). The obligations of Accommodator under the Acquisition Loan are evidenced by a Promissory Note ("ACCOMMODATION NOTE") made and given by Accommodator and Buyer of even date herewith in the principal amount of the Acquisition Loan. The obligations of Accommodator and Buyer under the Acquisition Loan are secured by an assignment to New Principal by Accommodator of all of the Interests pursuant to that certain Pledge and Security Agreement dated of even date herewith ("PLEDGE AGREEMENT"). The Acquisition Loan will be repaid in full at the time the Interests are transferred to New Principal. Prior to such transfer, all or substantially all of the net revenue of the Property will be paid to New Principal as interest under the Acquisition Loan.

The failure by any one of Assuming Borrower, New Principal and/or Accommodator to cause the transfer of Interests to occur within the 180 day period shall constitute an Event of Default under the Loan Documents. Further, any assignment or pledge or other transfer New Principal's interests under the Accommodation Note or the Pledge Agreement shall constitute an Event of Default under the Loan Documents. Buyer shall deliver written notice to Lender acknowledging the date that such Exchange

Transfer occurred ("EXCHANGE NOTICE"). Furthermore, Buyer shall include all documents evidencing and documenting the transfer of Interests with the Exchange Notice. Furthermore, in connection with the delivery of the Exchange Notice, Buyer and New Principal shall deliver a certificate to Lender, in a form acceptable to Lender in its reasonable discretion, whereby Buyer and New Principal ratify and reaffirm all of their respective obligations under the Loan Documents and upon receipt of the items referred to herein, the Lender will consent to such transfer of Interests. Buyer shall pay, or cause to be paid at closing, all Lender's costs and expenses of Lender including reasonable attorneys fees for the transfer of Interests.

37. ACKNOWLEDGEMENT OF LIMITED LIABILITY OF ACCOMMODATOR. Notwithstanding any provisions of these Loan Documents to the contrary ("ACCOMMODATOR"), is acting as an exchange Accommodator titleholder in connection with a like-kind exchange under IRC Section 1031 and Revenue Procedure 2000-37 for the benefit of the New Principal. As an Accommodator party, the general credit of Accommodator is not obligated or available for the payment of the indebtedness secured by the Loan Documents. Lender will not look to Accommodator or Accommodator's directors, officers, and employees with respect to the indebtedness evidenced by the Loan Documents or any covenant, stipulation, promise, indemnity, agreement or obligation contained herein. The Lender will not seek a deficiency or other money judgment against Accommodator or Accommodator's member's, directors, officers, and employees and will not institute any separate action against Accommodator by reason of any default that may occur in the performance of any of the terms and conditions of the Loan Documents between Buyer and Lender. This agreement on the part of the Lender shall not be construed in any way so as to effect or impair the lien of the Loan Documents or the Lender's right to foreclose hereunder as provided by law or foreclosure proceedings or other enforcement of payment of the indebtedness secured hereby out of and from the security given therefore.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day, month and year first above written.

SELLER:

THOR CHESTNUT HILL, LP, a Delaware
limited partnership

By: THOR GP CHESTNUT HILL, LLC, a
Delaware limited liability company,
its general partner

By:

Name:

Title:

[signatures continue on next page]

THOR CHESTNUT HILL II, LP, a Delaware
limited partnership

By: THOR GP CHESTNUT HILL II, LLC, a
Delaware limited liability company,
its general partner

By: -----
Name: -----
Title: -----

[signatures continue on next page]

ORIGINAL PRINCIPAL:

JOSEPH J. SITT, an individual

[signatures continue on next page]

BUYER:

ACADIA CHESTNUT LLC, a Delaware limited liability company

By: ACADIA REALTY LIMITED PARTNERSHIP, a Delaware limited partnership, as its manager

By: ACADIA REALTY TRUST, as its general partner

By:

Name: Robert Masters
Title: Senior Vice
President

[signatures continue on next page]

NEW PRINCIPAL:

ACADIA REALTY LIMITED PARTNERSHIP,
a Delaware limited partnership

By: ACADIA REALTY TRUST, as its general
partner

By:

Name:

Title:

[signatures continue on next page]

LENDER:

WELLS FARGO BANK, N.A., SUCCESSOR BY
CONSOLIDATION TO WELLS FARGO BANK
MINNESOTA, N.A., AS TRUSTEE UNDER THE
POOLING AND SERVICING AGREEMENT DATED AS
OF DECEMBER 1, 2003 (THE "POOLING AND
SERVICING AGREEMENT"), FOR THE
REGISTERED HOLDERS OF CREDIT SUISSE
FIRST BOSTON MORTGAGE SECURITIES CORP.
COMMERCIAL MORTGAGE PASS-THROUGH
CERTIFICATES SERIES 2003-C5

By: MIDLAND LOAN SERVICES, INC., a
Delaware corporation, as Master Servicer
under the Pooling and Servicing
Agreement and its Attorney-in-Fact

By:

Name:

Title:

[acknowledgments continue on next page]

ACKNOWLEDGMENTS

State
County

On this, the ____ day of June, 2006, before me _____, the undersigned officer, personally appeared _____, known to me (or satisfactory proven) to be the _____ of Thor GP Chestnut Hill, LLC, a Delaware limited liability company, which is the general partner of Thor Chestnut Hill, LP, a Delaware limited partnership, and acknowledged that he as such _____ being duly authorized to do so, executed the foregoing instrument on behalf of such limited liability company, as manager of such limited partnership, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal

(Seal)

Notary Public

[acknowledgments continue on next page]

State
County

On this, the ____ day of June, 2006, before me _____, the undersigned officer, personally appeared _____, known to me (or satisfactory proven) to be the _____ of Thor GP Chestnut Hill II, LLC, a Delaware limited liability company, which is the general partner of Thor Chestnut Hill II, LP, a Delaware limited partnership, and acknowledged that he as such _____ being duly authorized to do so, executed the foregoing instrument on behalf of such limited liability company, as manager of such limited partnership, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal

(Seal)

Notary Public

[acknowledgments continue on next page]

State
County

On this, the ____ day of June, 2006, before me _____, the undersigned officer, personally appeared Joseph J. Sitt, an individual, known to me (or satisfactory proven) to be the person who executed the foregoing instrument, and acknowledged that he executed the foregoing instrument for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal

(Seal)

Notary Public

[acknowledgments continue on next page]

State
County

On this, the ____ day of June, 2006, before me _____, the undersigned officer, personally appeared Robert Masters, known to me (or satisfactory proven) to be the Senior Vice President of Acadia Realty Trust, which is the general partner of Acadia Realty Limited Partnership, a Delaware limited partnership, which is the manager of Acadia Chestnut LLC, a Delaware limited liability company, and acknowledged that he as such Senior Vice President being duly authorized to do so, executed the foregoing instrument on behalf of such trust, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal

(Seal)

Notary Public

[acknowledgments continue on next page]

State
County

On this, the ____ day of June, 2006, before me _____, the undersigned officer, personally appeared _____, known to me (or satisfactory proven) to be the _____ of Acadia Realty Trust, which is the general partner of Acadia Realty Limited Partnership, a Delaware limited partnership, and acknowledged that he as such _____ being duly authorized to do so, executed the foregoing instrument on behalf of such limited partnership, as _____ of such trust, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal

(Seal)

Notary Public

[acknowledgments continue on next page]

State
County

On this, the ____ day of June, 2006, before me _____, the undersigned officer, personally appeared _____, known to me (or satisfactory proven) to be the _____ of Midland Loan Services, INC., a Delaware corporation, as Master Servicer on behalf of Wells Fargo Bank, N.A., successor by consolidation to Wells Fargo Bank Minnesota, N.A., as Trustee under the Pooling and Servicing Agreement dated as of December 1, 2003, for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates Series 2003-C5 ("Lender"), and acknowledged that he as such _____ being duly authorized to do so, executed the foregoing instrument on behalf of such Lender, as _____ of such corporation, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal

(Seal)

Notary Public

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL ONE

ALL THAT CERTAIN lot or piece of ground, with improvements erected thereon, situated in the Ninth Ward of the City of Philadelphia and described according to an ALTA/ACSM Survey and Plan of Property made by Joel S. Cirello, Surveyor and Regulator of the Ninth Survey District, dated 6/12/1998, last revised April 25, 2003:

BEGINNING at a point of intersection of the Southwesterly legally open side of Germantown Avenue (on City Plan 70' wide, legally open 60' wide) and the Northwesterly legally open side of Gravers Lane (on City Plan 50' wide, legally open 33' wide); thence extending southwestwardly along the northwest legally open line of Gravers Lane, South 39 degrees 07 minutes 25 seconds West, the distance of 190.922' to a point; thence extending and crossing the unopened portion of said Gravers Lane, North 50 degrees 52 minutes 35 seconds West, the distance of 8.500' to a point on the northwest confirmed line of said Gravers Lane; thence extending North 50 degrees 52 minutes 35 seconds West, the distance of 112.00 feet to a point; thence extending South 39 degrees 07 minutes 25 seconds West, the distance of 84.000' to a point; thence extending North 50 degrees 52 minutes 35 seconds West, the distance of 28.000' to a point; thence extending South 39 degrees 07 minutes 25 seconds West, the distance of 45.385' to a point; thence extending North 50 degrees 52 minutes 35 seconds West, the distance of 47.531' to a point; thence extending North 39 degrees 05 minutes 08 seconds East, the distance of 0.083' to a point; thence extending North 50 degrees 32 minutes 15 seconds West, the distance of 152.062' to a point; thence extending South 39 degrees 00 minutes 35 seconds West, the distance of 2.969' to a point; thence extending North 50 degrees 32 minutes 15 seconds West, the distance of 140.000' to a point on the Southeasterly side of Highland Avenue (on City Plan 60' wide, legally open); thence extending along the Southeasterly side of Highland Avenue, North 39 degrees 00 minutes 35 seconds East, the distance of 52.969' to a point; thence extending South 50 degrees 32 minutes 15 seconds East, the distance of 170.990' to a point; thence extending North 39 degrees 00 minutes 35 seconds East, the distance of 40.000' to a point; thence extending South 50 degrees 32 minutes 15 seconds East, the distance of 25.000' to a point; thence extending South 39 degrees 00 minutes 35 seconds West, the distance of 8.000' to a point; thence extending South 50 degrees 32 minutes 15 seconds East, the distance of 38.094' to a point; thence extending South 39 degrees 05 minutes 08 seconds West, the distance of 22.000' to a point; thence extending South 50 degrees 32 minutes 15 seconds East, the distance of 58.083' to a point; thence extending and partly passing thru a portion of a (3) three story building wall, North 39 degrees 05 minutes 08 seconds East, the distance of 257.041' to a point on the said Southwesterly confirmed line of Germantown Avenue; thence extending and recrossing the unopened portion of Germantown Avenue, North 39 degrees 05 minutes 08 seconds East, the distance of 5.000' to a point on the Southwesterly legally open line of Germantown Avenue; thence extending along the said Southwesterly legally open line of Germantown Avenue, South 50 degrees 20 minutes 45 seconds East, the distance of 196.257' to a point on the said northwesterly legally open line of Gravers Lane, the first mentioned point and place of beginning.

BEING commonly known as: 8400 Germantown Avenue.

PARCEL TWO

ALL THAT CERTAIN lot or piece of ground, with improvements erected thereon, situate in the Ninth Ward of the City of Philadelphia, and described according to an ALTAIASC Survey and Plan of Property made by Joel S. Cirello, Surveyor and Regulator of the Ninth Survey District dated 6/18/1998, last revised April 25, 2003.

BEGINNING at the point of intersection of the Northwesterly side of Bethlehem Pike (60 feet wide, legally opened) and the Northeasterly side of Germantown Avenue (60 feet wide, legally open); thence extending along the said Northeasterly side of Germantown Avenue, North 58 degrees 56 minutes 00 seconds West, the distance of 169.031 feet to a point; thence extending North 30 degrees 42 minutes 40 seconds East, the distance of 123.793 feet to a point; thence extending South 76 degrees 43 minutes 56 seconds East, the distance of 112.358 feet to a point on the said Northwesterly side of Bethlehem Pike; thence extending along the said Northwesterly side of Bethlehem Pike, South 9 degrees 24 minutes 05 seconds West, the distance of 170.156 feet to a point on the said Northeasterly side of Germantown Avenue, the first mentioned point and place of beginning.

BEING commonly known as: 8625-8639 Germantown Avenue.

WHEN RECORDED, RETURN TO:
Winston & Strawn
200 Park Avenue
New York, New York 10166 Attn; David M. Traitel, Esq.

MORTGAGE AND SECURITY AGREEMENT

Loan No. 271089

THIS MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") is made as of June 1, 2003, between THOR CHESTNUT HILL, LP, a Delaware limited partnership ("Chestnut I") and THOR CHESTNUT HILL II, LP, a Delaware limited partnership ("Chestnut II"), each having an address c/o Thor Equities, LLC, 139 Fifth Avenue, New York, New York 10010, (Chestnut I and Chestnut II are, collectively, "Mortgagor"), jointly and severally for the benefit of COLUMN FINANCIAL, INC., a Delaware corporation ("Mortgagee"), whose address Eleven Madison Avenue, 9th Floor, New York, New York 10017. Att: Edmund Taylor.

WITNESSETH:

THAT FOR AND IN CONSIDERATION OF THE SUM OF TEN AND NOT 100 DOLLARS (\$10.00), AND OTHER VALUABLE CONSIDERATION, INCLUDING THE INDEBTEDNESS HEREIN RECITED AND THE TRUST HEREIN CREATED, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, MORTGAGOR HAS MORTGAGED, GRANTED, CONVEYED, BARGAINED, SOLD, TRANSFERRED, PLEDGED, ALIENED, ENFEOFFED, RELEASED, CONFIRMED, WARRANTED AND SET OVER AND HEREBY IRREVOCABLY MORTGAGES, GRANTS, CONVEYS, BARGAINS, SELLS, TRANSFERS, PLEDGES, ALIENS, ENFEOFFS, RELEASES, CONFIRMS, WARRANTS, SETS OVER AND ASSIGNS, AND GRANTS A SECURITY INTEREST, TO AND IN FAVOR OF MORTGAGEE, ITS SUCCESSORS AND ASSIGNS, in all of Mortgagor's estate, right, title and interest in, to and under any and all of the following described property, whether now owned or hereafter acquired (collectively, the "Property"):

(A) All that certain real property situated in the County of Philadelphia, Commonwealth of Pennsylvania, more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the "Real Estate"), together with all of the easements, rights, privileges, franchises, tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any way appertaining thereto, and all of the estate, right, title, interest,

claim and demand whatsoever of Mortgagor therein or thereto, either at law or in equity, in possession or in expectancy, now owned or hereafter acquired;

(B) All structures, buildings and improvements of every kind and description now or at any time hereafter located or placed on the Real Estate (the "Improvements");

(C) All easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, and other emblements now or hereafter located on the Real Estate or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, tenements, hereditaments and appurtenances, reversions, and remainders whatsoever, in any way belonging, relating or appertaining to the Property or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Mortgagor;

(D) All furniture, furnishings, fixtures, goods, equipment, inventory or personal property owned by Mortgagor and now or hereafter located on, attached to or used in or about the Improvements, including, but not limited to, all machines, engines, boilers, dynamos, elevators, stokers, tanks, cabinets, awnings, screens, shades, blinds, carpets, draperies, lawn mowers, and all appliances, plumbing, heating, air conditioning, lighting, ventilating, refrigerating, disposal and incinerating equipment, and all fixtures and appurtenances thereto, and such other goods and chattels and personal property owned by Mortgagor as are now or hereafter used or furnished in operating the Improvements, or the activities conducted therein, and all building materials and equipment hereafter situated on or about the Real Estate or Improvements, and all warranties and guaranties relating thereto, and all additions thereto and substitutions and replacements therefore (exclusive of any of the foregoing owned or leased by tenants of space in the Improvements);

(E) All water, water courses, ditches, wells, reservoirs and drains and all water, ditch, well, reservoir and drainage rights and powers which are appurtenant to, located on, under or above or used in connection with the Real Estate or the Improvements, or any part thereof, together (i) with all utilities, utility lines, utility commitments, utility capacity, capital recovery charges, impact fees and other fees paid in connection with same, (ii) reimbursements or other rights pertaining to utility or utility services, provided to the Real Estate and/or Improvements and (iii) the present or future use or availability of waste water capacity, or other utility facilities to the extent same pertain to or benefit the Real Estate and/or Improvements, including, without limitation, all reservations of or commitments or letters covering any such use in the future, whether now existing or hereafter created or acquired;

(F) All minerals, crops, timber, trees, shrubs, flowers and landscaping features now or hereafter located on, under or above the Real Estate;

(G) All cash funds, deposit accounts and other rights and evidence of rights to cash, now or hereafter created or held by Mortgagee pursuant to this Mortgage or any other of the Loan Documents (as hereinafter defined) including, without limitation, all funds now or hereafter on deposit in the Reserves (as hereinafter defined);

(H) All leases, licenses, tenancies, concessions and occupancy agreements of the Real Estate or the Improvements now or hereafter entered into and all rents, royalties, issues, profits, revenue, income and other benefits (collectively, the "Rents" or "Rents and Profits") of the Real Estate, the Improvements, or the fixtures or equipment, now or hereafter arising from the use or enjoyment of all or any portion thereof or from any present or future lease, license, tenancy, concession, occupancy agreement or other agreement pertaining thereto or arising from any of the Contracts (as hereinafter defined) or any of the General Intangibles (as hereinafter defined) and all cash or securities (the "Security Deposits".) that secure performance by the tenants, - lessees or licensees, as -applicable, of their obligations under any such leases, licenses, concessions or occupancy agreements, whether said cash or securities are to be held until the expiration of the terms of said leases, licenses, concessions or occupancy agreements or applied to one or more of the installments of rent coming due prior to the expiration of said terms, subject to, however, the provisions contained in Section 1.11 of this Mortgage;

(I) All contracts and agreements now or hereafter entered into covering any part of the Real Estate or the Improvements (collectively, the "Contracts") and all revenue, income and other benefits thereof, including, without limitation; management agreements, service contracts, maintenance contracts, equipment. leases, personal property leases and any contracts or documents relating to construction on any part of the Real Estate or the Improvements (including plans, specifications, studies, drawings, surveys, tests, operating and other reports, bonds and governmental approvals) or to the management or operation of any part of the Real Estate or the Improvements;

(J) All present and future monetary deposits given to any public or private utility with respect to utility services furnished to any part of the Real Estate or the Improvements;

(K) All present and future funds, accounts, instruments, accounts receivable, documents, causes of action, claims, general intangibles (including, without limitation, trademarks, trade names, servicemarks and symbols now or hereafter used in connection with any part of the Real Estate or the Improvements, all names by which the Real Estate or the Improvements may be operated or known, all rights to carry on business under such names, and all rights, interest and privileges which Mortgagor has or may have as developer or declarant under any covenants, restrictions or declarations now or hereafter relating to the Real Estate or the Improvements) and all notes or chattel paper now or hereafter arising from or by virtue of any transactions related to the Real Estate or the Improvements (collectively, the "General Intangibles");

(L) All water taps, sewer taps, certificates of occupancy, permits, special permits, uses, licenses, franchises, certificates, consents, approvals and other rights and privileges now or hereafter obtained in connection with the Real Estate or the Improvements and all present and future; warranties and guaranties relating to the Improvements or to any equipment, fixtures, furniture, furnishings, personal property or components of any of the foregoing now or hereafter located or installed on the Real Estate or the Improvements;

(M) All building materials, supplies and equipment now or hereafter placed on the Real Estate or in the Improvements and all architectural renderings, models, drawings, plans, specifications, studies and data now or hereafter relating to the Real Estate or the Improvements;

(N) All right, title and interest of Mortgagor in any insurance policies or binders now or hereafter relating to the Property including any unearned premiums thereon;

(O) All proceeds, products, substitutions and accessions (including claims and demands therefore of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards; and

(P) All other or greater rights and interests of every nature in the Real Estate or the Improvements and in the possession or use thereof and income therefrom, whether now owned or hereafter acquired by Mortgagor.

FOR THE PURPOSE OF SECURING:

(1) The debt evidenced by that certain Promissory Note (such Promissory Note, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, and extensions thereof, is hereinafter referred to as the "Note") of even date with this Mortgage, made by Mortgagor and payable to the order of Mortgagee in the original principal amount of TEN MILLION FIVE HUNDRED THOUSAND AND NOI100 DOLLARS (\$10,500,000.00) (the "Loan" or the "Loan Amount"), together with interest and any fees as therein provided;

(2) The full and prompt payment and performance of all of the provisions, agreements, covenants and obligations herein contained and contained in any other agreements, documents or instruments now or hereafter evidencing, securing or otherwise relating to the indebtedness evidenced by the Note (the Note, this Mortgage, the Assignment (as hereinafter defined), and such other agreements, documents and instruments, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, and extensions and modifications thereof, are hereinafter collectively referred to as the "Loan Documents") and the payment of all other sums therein covenanted to be paid, including, without limitation, any applicable yield maintenance premiums or prepayment fees;

(3) Any and all future or additional advances (whether or not obligatory) made by Mortgagee to protect or preserve the Property, or the lien or security interest created hereby on the Property, or for taxes, assessments or insurance premiums as hereinafter provided or for performance of any of Mortgagor's obligations hereunder or under the other Loan Documents or for any other purpose provided herein or in the other Loan Documents (whether or not the original Mortgagor remains the owner of the Property at the time of such advances), together with interest thereon at the Default Interest Rate (as defined in the Note); and

(4) Any and all other indebtedness now owing or which may hereafter be owing by Mortgagor to Mortgagee, however and whenever incurred or evidenced, whether express or implied, direct or indirect, absolute or, contingent, or due or to become due, and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements and extensions thereof.

(All of the sums referred to in Paragraphs (1) through (4) above are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby").

TO HAVE AND TO HOLD the Property unto Mortgagee, its successors and assigns forever, for the purposes and uses herein set forth.

PROVIDED, HOWEVER, that if the principal and interest and all other sums due or to become due under the Note, including, without limitation, any prepayment fees required pursuant to the terms of the Note, shall have been paid at the time and in the manner stipulated therein and all other sums payable hereunder and all other indebtedness secured hereby shall have been paid and all other covenants contained in the Loan Documents shall have been performed, then, in such case, this Mortgage shall be satisfied and the estate, right, title and interest of Mortgagee in the Property shall cease, and upon payment to Mortgagee of all costs and expenses incurred for the preparation of the release hereinafter referenced and all recording costs if allowed by law, Mortgagee shall release this Mortgage and the lien hereof by proper instrument

ARTICLE I
COVENANTS OF MORTGAGOR

For the purpose of further securing the indebtedness secured hereby and for the protection of the security of this Mortgage, for so long as the indebtedness secured hereby or any part thereof remains unpaid; Mortgagor represents, covenants and agrees as follows:

1.1. - Warranties of Mortgagor. Mortgagor, for itself and its successors and assigns, does hereby represent, warrant and covenant to and with Mortgagee, its successors and assigns, that:

(a) Mortgagor has good, marketable and indefeasible fee simple title to the Property, subject only to those matters expressly set forth on Exhibit B attached hereto and by this reference incorporated herein (the "Permitted Exceptions"), and has full power and lawful authority to grant, bargain, sell, convey, assign, transfer and encumber its interest in the Property in the manner and form hereby done or intended. None of the Permitted Exceptions materially interferes with the security intended to be provided by this Mortgage, the current primary use of the Property, or the current ability of the Property to generate income sufficient to service the Loan. Mortgagor will preserve its interest in and title to the Property and will forever warrant and defend the same to Mortgagee against any and all claims whatsoever and will forever warrant and defend the validity and priority of the lien and security interest created herein against the claims of all persons and parties whomsoever, subject to the Permitted Exceptions. The foregoing warranty of title shall survive 'the foreclosure, exercise of any power of sale or other enforcement of this Mortgage and shall inure to the benefit of and be enforceable by Mortgagee in the event Mortgagee acquires title to the Property pursuant to any foreclosure, exercise of any power of sale or otherwise;

(b) No bankruptcy or insolvency proceedings are pending or contemplated by Mortgagor or, to the best knowledge of Mortgagor, against Mortgagor or by or against any endorser, cosigner or guarantor of the Note;

(c) All reports, certificates, affidavits, statements and other data furnished by Mortgagor to Mortgagee in connection with the Loan evidenced by the Note are true and correct

in all material respects and do not omit to state any fact or circumstance necessary to make the statements contained therein not misleading;

(d) The execution, delivery and performance of this Mortgage, the Note and all of the other Loan Documents have been duly authorized by all necessary action to be taken, and are, binding and enforceable against Mortgagor in accordance with the respective terms thereof and do not contravene, result in a breach of or constitute (upon the giving of notice or the passage of time or both) a default under the partnership agreement, certificate or articles of incorporation or other organizational documents of Mortgagor, or any contract or agreement of any nature to which Mortgagor is a party or by which Mortgagor or any of its property may be bound, and do not violate, or contravene any law, order, decree, rule or regulation to which Mortgagor is subject;

(e) Mortgagor is not required to obtain any consent, approval or authorization from or to file any declaration or statement with, any governmental authority or agency in connection with or as a condition to the execution, delivery or performance of this Mortgage, the Note or the other Loan Documents which has not been so obtained or filed;

(f) Mortgagor has obtained or made all necessary (i) consents, approvals and authorizations and registrations and filings of or with all governmental authorities or agencies and (ii) consents, approvals, waivers and notifications of partners, stockholders, members, creditors, lessors and other non-governmental persons and/or entities, in each case, which are required to be obtained or made by Mortgagor in connection with the execution and delivery of, and the performance by Mortgagor of its obligations under, the Loan Documents;

(g) Mortgagor is not an "investment company", or a company "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended;

(h) No part of the proceeds of the indebtedness secured hereby will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulations T, U or X or any other Regulations of such Board of Governors, or for any purpose prohibited by legal requirements or by the terms and conditions of the Loan Documents;

(i) Mortgagor and, if Mortgagor is a partnership, any general partner of Mortgagor, has filed all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments, including sales and payroll taxes, payable by Mortgagor and its general partners, if any. Mortgagor and its general partners, if any, believe that their respective tax returns properly reflect the income and taxes of Mortgagor and said general partners, if any, for the periods covered thereby, subject only to reasonable adjustments required by the Internal Revenue Service or other applicable tax authority upon audit;

(j) -Mortgagor is not an "employee benefit plan", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is subject

to Title I of ERISA and the assets of Mortgagor do not constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-103;

(k) Except as set forth in those certain confirmation statements from the City of Philadelphia nos. 161534 and 161550 both dated May 29, 2003, the Real Estate and the Improvements and the intended use thereof by Mortgagor comply with all applicable restrictive covenants, zoning ordinances, subdivision and building codes, flood disaster laws, applicable health and environmental laws and regulations and all other ordinances, orders or requirements issued by any state, federal or municipal authorities having or claiming jurisdiction over the Property. The Real Estate and Improvements constitute a separate tax parcel or parcels for purposes of ad valorem taxation. The Real Estate and Improvements do not require any rights over, or restrictions against, other property in order to comply with any of the aforesaid governmental ordinances, orders or requirements;

(l) All utility services necessary and sufficient for the full use, occupancy, operation and disposition of the Real Estate and the Improvements for their intended purposes are available to the Property, including water, storm sewer, sanitary sewer, gas, electric, cable and telephone facilities, through public rights-of-way or perpetual private easements reflected in the title insurance policy insuring the lien of this Mortgage and approved by Mortgagee (the "Title Insurance Policy");

(m) All streets, roads, highways, bridges and waterways necessary for access to and full use, occupancy, operation and disposition of the Real Estate and the Improvements have been completed, have been dedicated to and accepted by the appropriate municipal authority and are open and available to the Real Estate and the Improvements without further condition or cost to Mortgagor;

(n) All curb cuts, driveways and traffic signals shown on the survey delivered to Mortgagee prior to the execution and delivery of this Mortgage are existing and have been fully approved by the appropriate governmental authority;

(o) There are no judicial, administrative, mediation or arbitration actions, suits or proceedings pending or threatened against or affecting Mortgagor, (and, if Mortgagor is a partnership, any of its general partners, or if Mortgagor is a limited liability company, any member of Mortgagor) or the Property which, if adversely determined, would have a material adverse effect on (a) the Property, (b) the business, prospects, profits, operations or condition (financial or otherwise) of Mortgagor, (c) the enforceability, validity, perfection or priority of the lien of any Loan Document, or (d) the ability of Mortgagor to perform any obligations under any Loan Document (collectively, a "Material Adverse Effect");

(p) As of the date of this Mortgage (i) the Property is free from delinquent water charges, sewer rents, taxes and assessments, and from unrepaired damage caused by fire, flood, accident or other casualty, and (ii) no part of the Real Estate or the Improvements has been taken in condemnation, eminent domain or like proceeding nor is any such proceeding pending or to Mortgagor's knowledge and belief, threatened or contemplated,

(q) Mortgagor possesses all franchises, patents, copyrights, trademarks, trade navies, licenses and permits adequate for the conduct of its business substantially as now conducted;

(r) Except as set forth in the Title Insurance Policy insuring the lien of this Mortgage, no improvements on adjoining properties encroach upon the Property. To the best of Mortgagor's knowledge, the Improvements are structurally sound, in good repair and free of defects in materials and workmanship and have been constructed and installed in substantial compliance with the plans and specifications relating thereto. All major building systems located within the Improvements, including without limitation the heating and air conditioning systems and the electrical and plumbing systems, are in working order and condition;

(s) Except as disclosed in writing to Mortgagee prior to the date hereof, there are no security agreements or financing statements affecting any of the Property other than the security agreements and financing statements created in favor of Mortgagee;

(t) Mortgagor has delivered a true, correct and complete schedule (the "Rent Roll") of all leases affecting the Property (collectively, "Leases") as of the date hereof, which accurately and completely sets forth in all material respects for each such Lease, the following; the name of the tenant, the lease expiration date, extension and renewal provisions, the base rent payable, and the Security Deposit held thereunder. Mortgagor is in compliance with all legal requirements relating to such Security Deposits;

(u) No tenant under any Lease has, as of the date hereof, paid rent more than thirty (30) days in advance, and the rents under such Leases have not been waived, released, or otherwise discharged or compromised;

(v) The Property is free and clear of any mechanics' or materialmen's liens or liens in the nature thereof, and no rights are outstanding that under law would give rise to any such liens, any of which liens are or may be prior to, or equal with, the lien of this Mortgage, except those which are insured against by the Title Insurance Policy;

(w) No Lease or Contract or easement, right of way, permit or declaration (collectively, "Property Agreements") provides 'any party with the right to obtain, a lien or encumbrance upon the Property superior to the lien of this Mortgage;

(x) Mortgagor has delivered to Mortgagee true, correct and complete copies of all Property Agreements and no default exists or to Mortgagor's knowledge would exist, with the passing of time or the giving of notice, or both, under any Property Agreement which would, in the aggregate, have a Material Adverse Effect;

(y) To the best knowledge of Mortgagor, no offset or any right of offset exists respecting continued contributions to be made by any party to any Property Agreement except as expressly set forth herein. Except as previously disclosed to Mortgagee in writing, no material exclusions or restrictions on the utilization, leasing or improvement of the Property (including non-compete agreements) exist in any Property Agreement;

(z) To the best of Mortgagor's knowledge, all work, if any, to be performed by Mortgagor under each of the Property Agreements has been substantially performed, all contributions to be made by Mortgagor to any party to such Property Agreement have been made, and all other conditions to such party's obligations thereunder have been satisfied;

(aa) The Property is taxed separately without regard to any other real estate and constitutes a legally subdivided lot under all applicable legal requirements (or, if not subdivided, no subdivision or platting of the Property is required under applicable legal requirements), and for all purposes may be mortgaged, conveyed, pledged, hypothecated, assigned or otherwise dealt with as an independent parcel;

(bb) The Property forms no part of any property owned, used or claimed by Mortgagor as a residence or business homestead and is not exempt from' forced sale under the laws of the State in 'which the Property is located. Mortgagor hereby disclaims and renounces each and every claim to all or any portion of the Property as a homestead. The Loan evidenced by the Loan Documents is made and transacted solely for business, investment, commercial or other similar purposes;

(cc) There are no outstanding options or rights of first offer or refusal to purchase all or any portion of the Property or Mortgagor's interest therein or ownership thereof;

(dd) There are no actions, suits, proceedings or orders of record or of which Mortgagor has notice, and, to the best of Mortgagor's knowledge, there are no inquiries or investigations, pending or threatened, in any such case against, involving or affecting the Property, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau agency or instrumentality, domestic or foreign, alleging the violation of any federal, state or local law, statute, ordinance, rule or regulation relating to Environmental Laws. Furthermore, Mortgagor has not received any written claim, notice or opinion that the ownership or operation of the Property violates any federal, state or local law, statute, ordinance, rule, regulation, decree, order, and/or permit relating to Environmental Laws, and, to the best of Mortgagor's knowledge, no valid basis for any proceeding, action or claim of such nature exists;

(ee) Each Lease constitutes the legal, valid and binding obligation of Mortgagor and, to the best of Mortgagor's knowledge and belief, is enforceable against the tenant thereof;

(ff) All work to be performed by Mortgagor under the Leases has been substantially performed, all contributions to be made by Mortgagor to the tenants thereunder have been made and all other conditions precedent to each such tenant's obligations thereunder have been satisfied;

(gg) Each tenant under a Lease has entered into occupancy of the demised premises;

(hh) To the best of Mortgagor's knowledge and belief, each tenant is free from bankruptcy, reorganization or arrangement proceedings or a general assignment for the benefit of creditors;

(ii) Except as previously disclosed in writing to Mortgagee, there are no brokerage fees or commissions payable by Mortgagor with respect to the leasing of the space at the Property, and there are no management fees payable by Mortgagor with respect to the management of the Property; and

(jj) The representations and warranties contained in this Mortgage, or the review and inquiry made on behalf of Mortgagor therefor, have all been made by persons having the requisite expertise and knowledge to provide such representations and warranties. No statement or fact made by or on behalf of Mortgagor in this Mortgage or in any certificate, document or schedule furnished to Mortgagee pursuant hereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading (which may be to Mortgagor's best knowledge where so provided herein)_ (provided, however, that with respect to certificates, documents and/or schedules prepared by or provided by a party other than Mortgagor or one of its affiliates, the foregoing representation is limited to the best of Mortgagor's knowledge). There is no fact presently known to Mortgagor which has not been disclosed to Mortgagee and which would have a Material Adverse Effect.

1.2. Defense of Title. If, while this Mortgage is in force, the title to the Property or the interest of Mortgagee therein shall be the subject, directly or indirectly, of any action at law or in equity, or be attached directly or indirectly, or endangered, clouded or adversely affected in any manner, Mortgagor, at Mortgagor's expense, shall take all necessary and proper steps for the defense of said title or interest, including the employment of counsel reasonably approved by Mortgagee, the prosecution or defense of litigation, and the compromise or discharge of claims made against said title or interest

1.3. Performance of Obligations. Mortgagor shall pay when due the principal of and the interest on the indebtedness secured hereby including all charges, fees and other sums required to be paid by Mortgagor as provided in the Loan Documents, and shall observe, perform and discharge all obligations, and conditions, and comply with all prohibitions, covenants and agreements to be observed, performed or discharged by Mortgagor set forth in the Loan Documents in accordance with their terms. In the event that Mortgagee reasonably determines that Mortgagor, is not adequately performing any of its obligations, under this Mortgage or under any of the other Loan Documents, Mortgagee may, without limiting or waiving any other rights or remedies of Mortgagee hereunder, take such steps with respect thereto as Mortgagee shall deem necessary or proper, and any and all costs and expenses reasonably incurred by Mortgagee in connection therewith, together with interest thereon at the Default Interest Rate (as defined in the Note) from the date incurred by Mortgagee until actually paid by Mortgagor, shall be immediately paid by Mortgagor on demand and shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note.

1.4. Insurance. Mortgagor shall, at Mortgagor's expense, maintain in force and effect on the Property at all times while this Mortgage continues in effect the following insurance:

(a) "All-risk" coverage insurance against loss or damage to the Property from all-risk perils including, without limitation, acts of terrorism. The amount of such insurance shall be not less than one hundred percent (100%), of the full replacement cost of the

Improvements, furniture, furnishings, fixtures, equipment and other items (whether personal or fir fixtures) included in the Property and owned by Mortgagor from time to time, without reduction for depreciation. The determination of the replacement cost amount shall be adjusted annually to comply with the requirements of the insurer issuing such coverage or, at Mortgagee's election, by reference to such indexes, appraisals or information as Mortgagee determines in its reasonable discretion. Full replacement cost, as used herein, means, with respect to the Improvements, the cost of replacing the Improvements without regard to deduction for depreciation, exclusive of the cost of excavations, foundations and footings below the lowest basement floor, and means, with respect to such furniture, furnishings, fixtures, equipment and other items, the cost of replacing the same. Each policy or policies shall contain a replacement cost endorsement and either an agreed amount endorsement (to avoid the operation of any coinsurance provisions) or a waiver of any co-insurance provisions, all subject to Mortgagee's approval.

(b) Commercial general liability insurance for personal injury, bodily injury, death and property damage liability in amounts not less than \$1,000,000 per occurrence, \$2,000,000 aggregate (inclusive of umbrella coverage) or such lesser amount as Mortgagee in Mortgagee's sole discretion may accept, for bodily injury, personal injury and property damage. Mortgagee hereby retains the right to periodically review the amount of said liability insurance being maintained by Mortgagor and to require an increase in the amount of said liability insurance should Mortgagee deem an increase to be reasonably prudent under then existing circumstances.

(c) Insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Improvements, in an amount equal to one hundred percent (100%) of the full replacement cost of the Improvements which policies shall insure against physical damage to and loss of occupancy and use of the Improvements arising out of an accident or breakdown covered thereunder.

(d) If the Real Estate or any part thereof is identified by the Secretary of Housing and Urban Development as being situated in an area now or subsequently designated as having special flood hazards (including, without limitation, those areas designated as Zone A or Zone V), flood insurance in an amount equal to one hundred percent (100%) of the replacement cost of the Improvements or the maximum amount of flood insurance available, whichever is the lesser.

(e) During the period of any construction on the Real Estate or renovation or alteration of the Improvements, a so-called "Builder's All Risk Completed Value" or "Course of Construction" insurance policy in non-reporting form for any Improvements under construction, renovation or alteration in an amount approved by Mortgagee and Worker's Compensation Insurance covering all persons engaged in such construction, renovation or alteration.

(f) Rental value or rental income insurance in amounts sufficient to compensate Mortgagor for all Rents during a period of not less than one (1) year in which the Property may be damaged or destroyed.

(g) Law and ordinance coverage in an amount satisfactory to Mortgagee if the Property; or any part thereof, shall constitute a nonconforming use or structure under applicable zoning ordinances, sub-division and building codes or other laws, ordinances, orders and requirements.

(h) Such other insurance - on the Property or on any replacements or substitutions thereof or additions thereto as may from time to time be required by Mortgagee against other insurable hazards or casualties which at the time are commonly insured against in the case of property similarly situated, due regard being given to the height and type of buildings, their construction, location, use and occupancy.

All such insurance shall (i) be issued by companies approved by Mortgagee and licensed to do business in the state where the Property is located, with a claims paying ability rating of "A" or better by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., (ii) contain the complete address of the Real, Estate (or a complete legal description), (iii) be for a term of at least one (1) year, (iv) contain deductibles no greater than \$10,000.00 or as otherwise required by Mortgagee, and (v) be subject to the approval of Mortgagee as to insurance companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates.

The "all-risk" commercial property and rental income insurance required under Section 1.4(a) and 1.4(f) above shall cover perils of terrorism and acts of terrorism and Mortgagor shall maintain commercial property and rental income insurance for loss resulting from perils and acts of terrorism on terms (including amounts) consistent with those required under Section 1.4(a) and 1.4(f) above, to the extent such insurance covering terrorism and acts of terrorism is available at commercially reasonable rates or to the extent available under the Terrorism Risk Insurance Act of 2002, as same may be amended, replaced or extended from time to time, at all times during the term of the Loan, provided, however, Mortgagor's insurance coverage may exclude perils and acts of terrorism if Mortgagor also obtains, at Mortgagor's sole cost and expense, a Terrorism Policy (hereinafter defined). The term "Terrorism Policy", as used herein, shall mean a separate stand-alone terrorism insurance. policy obtained by Mortgagor which corresponds to Mortgagor's primary insurance exclusion relating to acts or perils of terrorism such that there are no gaps in coverage and being otherwise acceptable to Mortgagee and consistent as to coverage amounts, ratings and conditions with the requirements of this. Section 1.4 as it relates to other sorts of insurance coverage. Mortgagor shall not decline or otherwise terminate any terrorism coverage offered under Mortgagor's all risk policy unless a Terrorism Policy is already in place.

Mortgagor shall as of the date hereof deliver to Mortgagee evidence that said insurance policies have been paid current as of the date hereof and certified copies of such insurance policies and original certificates of insurance signed by an authorized agent evidencing such insurance satisfactory to Mortgagee. Mortgagor shall renew all such insurance and deliver to Mortgagee certificates evidencing such renewals at least thirty (30) days before any such insurance shall expire. Without limiting the required endorsements to insurance policies, Mortgagor further agrees that all such policies shall provide that proceeds thereunder shall be payable to Mortgagee, its successors and assigns, pursuant and subject to a mortgagee clause (without contribution) of standard form attached to, or otherwise made a part of, the applicable

policy and that Mortgagee, its successors and assigns, shall be named as an additional insured under all liability insurance policies. Mortgagor further agrees that all such insurance policies: (i) shall provide for at least thirty (30) days prior written notice to Mortgagee prior to any cancellation or termination thereof and prior to any modification thereof which affects the interest of Mortgagee; (ii) shall contain an endorsement or agreement by the insurer that any loss shall be payable to Mortgagee in accordance with the terms of such policy notwithstanding any act or negligence of Mortgagor which might otherwise result in forfeiture of such insurance; and (iii) shall either name Mortgagee as an additional insured or waive all rights of subrogation against Mortgagee. The delivery to Mortgagee of the insurance policies or the certificates of insurance as provided above shall constitute an assignment of all proceeds payable under such insurance policies by Mortgagor to Mortgagee as further security for the indebtedness secured hereby. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to all proceeds payable under such policies then in force concerning the Property shall thereupon vest in the purchaser at such foreclosure, or in Mortgagee or other transferee in the event of such other transfer of title. Approval of any insurance by Mortgagee shall not be a representation of the solvency of any insurer or the sufficiency of any amount of insurance. In the event Mortgagor fails to provide, maintain, keep in force or deliver and furnish to Mortgagee the policies of insurance required by this Mortgage or evidence of their renewal as required herein, Mortgagee may, but shall not be obligated to, procure such insurance and Mortgagor shall pay all amounts advanced by Mortgagee, together with interest thereon at the Default Interest Rate (as defined in the Note) from and after the date advanced by Mortgagee until actually repaid by Mortgagor, promptly upon demand by Mortgagee. Any amounts so advanced by Mortgagee, together with interest thereon, shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note. Mortgagee shall not be responsible for nor incur any liability for the insolvency of the insurer or other failure of the insurer to perform, even though Mortgagee has caused the insurance to be placed with the insurer after failure of Mortgagor to finish such insurance.

1.5. Payment of Taxes. Mortgagor shall pay or cause to be paid, except to the extent provision is actually made therefore pursuant to Section L6 of this Mortgage, all taxes and assessments which are or may become a lien on the Property or which are assessed against or imposed upon the Property. If not being paid by Mortgagee pursuant to Section 1.6, Mortgagor shall furnish Mortgagee with receipts (or if receipts are not immediately available, with copies of canceled checks evidencing payment with receipts to follow promptly after they become available) showing payment of such taxes and assessments at least fifteen (15) days prior to the applicable delinquency date therefore. Notwithstanding the foregoing, Mortgagor may in good faith, by appropriate proceedings, and upon notice to Mortgagee, contest the validity, applicability or amount of any asserted tax or assessment so long as (a) such contest is diligently pursued, (b) Mortgagee determines, in its subjective opinion, that such contest suspends the obligation to pay the tax or assessment and that nonpayment of such tax or assessment will not result in the sale, loss, forfeiture or diminution of the Property or any part thereof or any interest of Mortgagee therein, and (c) prior to the earlier of the commencement of such contest or the delinquency date of the asserted tax or assessment, Mortgagor deposits in the Impound Account (as hereinafter defined) an amount reasonably determined by Mortgagee to be adequate to cover the payment of such tax or assessment and a reasonable additional sum to cover possible interest, costs and penalties; provided, however, that Mortgagor shall promptly cause to be paid any

amount adjudged by a court of competent jurisdiction to be due, with all interest, costs and penalties thereon, promptly after such judgment becomes final; and provided further that in any event each such contest shall be concluded and the taxes, assessments, interest, costs and penalties shall be paid prior to the date any writ or order is issued under which the Property may be sold, lost or forfeited.

1.6. Tax and Insurance Impound Account. Mortgagor shall establish and maintain at all times while this Mortgage continues in effect an impound account (the "Impound Account") with Mortgagee for payment of real estate taxes and assessments and insurance on the Property as additional security for the indebtedness secured hereby. Mortgagor shall deposit in the -Impound Account an amount determined by Mortgagee to be sufficient (when added to the monthly deposits described herein) to pay the next due annual installment of real estate taxes and assessments on the Property at least one (1) month prior to the delinquency date thereof (if paid in one installment) and the next due annual insurance premiums with respect to the Property at least one (1) month prior to the due date thereof (if paid in one installment). Commencing on the first monthly payment date under the Note and continuing thereafter on each monthly payment date under the Note, Mortgagor shall pay to Mortgagee, concurrently with the monthly payment due under the Note, deposits in an amount equal to one-twelfth (1/12) of the amount of the annual real estate taxes and assessments that will next become due and payable on the Property, plus one-twelfth (1/12) of the amount of the annual premiums that will next become due and payable on insurance policies which Mortgagor is required to maintain. hereunder, each as estimated and determined by Mortgagee, So long as no default hereunder or under the other Loan Documents has occurred and is continuing, all sums in the Impound Account shall be held by Mortgagee in the Impound Account to pay said taxes, assessments and insurance premiums in one installment before the same become delinquent. Mortgagor shall be responsible for ensuring the receipt by Mortgagee, at least thirty (30) days prior to the respective due date for payment thereof, of all bills, invoices and statements for all taxes, assessments and insurance premiums to be paid from the Impound Account, and so long as no default hereunder or under the other Loan Documents has occurred and is continuing, Mortgagee shall pay the governmental authority or other party entitled thereto directly to the extent funds are available for such purpose in the Impound Account. In making any payment from the Impound Account, Mortgagee shall be entitled to rely on any bill, statement or estimate procured from. the appropriate public office or insurance company or agent without any inquiry into the accuracy of such bill, statement or estimate and without any inquiry into the accuracy, validity, enforceability or contestability of any tax, assessment, valuation, sale, forfeiture, tax lien or title or claim thereof. No interest on funds contained in the Impound Account shall be paid by Mortgagee to Mortgagor

on the Impound Account shall be solely for the account of Mortgagee. If the total funds in the Impound Account shall exceed the amount of payments actually applied by Mortgagee for the purposes of the Impound Account, such excess may be credited by Mortgagee on subsequent payments to be made hereunder or, at the option of Mortgagee, refunded to Mortgagor. If, however, the Impound Account shall, not contain sufficient funds to pay the sums required when the same shall become due and payable, Mortgagor shall, within ten (10) days after receipt of written notice thereof, deposit with Mortgagee the full amount of any such deficiency.

1.7. Tenant Improvements and Leasing Commissions Reserve.

As additional security for the indebtedness secured hereby, Mortgagor shall establish and main at all times while this Mortgage continues in-effect a reserve (the "TILC Reserve") with Mortgagee for the payment of costs and expenses incurred by Mortgagor for Tenant

Improvements and Leasing Commissions. All such sums, together with any interest thereon, are hereinafter collectively referred to as the "Funds." As used herein, the term "Tenant Improvements" shall mean construction or modification of improvements on or installation of. fixtures or equipment in the Property as required to be performed by Mortgagor pursuant to the terms of any lease which is hereafter approved or, if such lease does not require approval by Mortgagee, is hereafter entered into by Mortgagor and tenant pursuant to Section 1.12 hereof ("Approved Lease"). As used herein, the term "Leasing Commissions" shall mean reasonable and customary commissions paid to a real estate broker licensed in the state where the Property is located in connection with an Approved Lease, pursuant to commission agreements containing such terms and" provisions including, without limitation, as to the timing of the payment of the commission, as are then prevailing between third party, unaffiliated owners and brokers for comparable leases of space at properties similar to the Property in the market area in which the Property is located.

(a) Deposits Into the TLLC Reserve/Interest on Funds.

(i) Mortgagor shall deposit into the TILC Reserve any amounts paid to Mortgagor under leases containing lease termination options or otherwise paid by tenants in consideration of an early termination of any lease, other than amounts paid for rent and other charges with respect to periods prior to the lease termination. To the extent a portion of the TILC Funds are deposited into the I ILC Reserve pursuant to this Section 1.7(a)(i) relative to a lease termination, (A) such portion of the TILC Funds shall only be available for disbursement after Mortgagor's provision of a Disbursement Request (as hereinafter defined) and only to pay Tenant Improvements and/or Leasing Commissions for an Approved Lease (or Approved Leases) of the space at the Property which was subject to such lease termination, (B) Mortgagor shall provide Mortgagee with a fully executed copy of an Approved Lease (or Approved Leases) over the space which was previously subject to the lease termination arrangement, and (C) Mortgagor must satisfy all of the requirements of Section 1.7(b)(i), (ii), (iii) and (iv) as to the Approved Lease(s) for which the request is made. So long as no default hereunder or under the other Loan Documents has occurred and is continuing, all sums in the TILC Reserve shall be held by Mortgagee in the TILC Reserve to pay and/or reimburse Mortgagor for the costs and expenses of Tenant Improvements and for paying Leasing Commissions as herein set forth. Upon retreating (in accordance with the terms of this Mortgage) of all tenant space originally subject to the lease that was the subject of the termination payment deposited into the TILC Reserve and the receipt by Mortgagee of reasonably satisfactory evidence of the commencement of the payment of rent by the tenants under the new leases for such re-tenanted space(s) (i.e., after the expiration of all. free rent periods and rent concessions), provided no Event of Default then exists and provided no Express Sweep Period (as defined in the Cash Management Agreement) or Borders Sweep Period (as defined in the Cash Management Agreement) is then in effect, upon request by Mortgagor, all sums on deposit in the 11LC Reserve shall

be disbursed to Mortgagor. Interest on the funds contained in the TILC Reserve shall be credited to Mortgagor as provided in Section 4.28 hereof.

(ii) During any Express Sweep Period (as defined in the Cash Management Agreement) and/or any Borders Sweep Period (as defined in the Cash Management Agreement), all Excess Cash Flow (as defined in the Cash Management Agreement) shall be deposited into the TILC Reserve. To the extent a portion of the TILC Funds are deposited into the TILC Reserve pursuant to this Section 1.7(a)(ii), (A) such portion of the TILC Funds shall only be available for disbursement after Mortgagor's provision of a Disbursement Request and only to pay Tenant Improvements and/or Leasing Commissions for an Approved Lease (or Approved Leases) of the space at the Property previously leased to Express, Inc. (the "Express Space") and/or to Borders, Inc. (the "Borders Space"), as applicable (to the extent that both an Express Sweep Period and a Borders Sweep Period exist at the same time, Mortgagee may, at its option, reasonably allocate the Excess Cash Flow deposited into the TILC Reserve between the retenanting of the Express Space and Borders Space in amounts that Mortgagee shall reasonably determine), (B) Mortgagor shall provide Mortgagee with a fully executed copy of an Approved Lease (or Approved Leases) over the space which was previously subject to the lease termination arrangement, and (C) Mortgagor must satisfy all of the requirements of Section 1.7(b)(i), (ii), (iii) and (iv) as to the Approved Lease(s) for which the request is made. Upon re-tenanting of all of the Express Space and Borders Space (or, if the Express, Inc. lease or the Borders, Inc. lease, as applicable, are extended in accordance with the terms of this Mortgage and the other tenant space is re-tenanted) in accordance with the terms of this Mortgage and the receipt by Mortgagee of reasonably satisfactory evidence of the commencement- of the payment of rent by all tenants under the new leases for the re-tenanted space(s) (i.e., after the termination of all free rent periods and rent concessions), then, provided no Event of Default then exists, upon request by Mortgagor, any sums on deposit in the TILC Reserve that were deposited into the TILC Reserve pursuant to this Section 1.7(a)(ii) shall be disbursed to Mortgagor (any sums deposited in the TILC Reserve pursuant to Section 1.7(a)(i) shall be governed by Section 1.07(a)(i)).

(b) Disbursements from the TILC Reserve. So long as no Event of Default hereunder has occurred and is continuing, and to the extent Funds are on deposit in the TILC Reserve, Mortgagee shall, within ten (10) days after receipt of a written request from Mortgagor specifying the amount requested and the applicable Tenant Improvements or Leasing Commissions to be paid for with the requested Funds ("Disbursement Request"), release to Mortgagor Funds in the amount of the Disbursement Request; subject, however, to the provisions of Sections 1.07(a)(i) and (ii) above and the following conditions precedent. Mortgagee shall not be required to make advances from the TILC Reserve more frequently than once in any thirty (30) day period. In making any payment from the TILL Reserve, Mortgagee" shall be entitled to rely on such request from Mortgagor, and on any bill, statement, or estimate from any third party, without any inquiry into the accuracy, validity or contestability of any such amount,

(i) With respect to a Disbursement Request to pay for Tenant Improvements, Mortgagor shall provide evidence reasonably satisfactory to Mortgagee (including, if requested by Mortgagee, access to the Property by Mortgagee and/or an architect and/or an engineer specified by Mortgagee for the purpose of inspecting the work done, at Mortgagor's expense) that the Tenant Improvements, or such portion thereof, for which the Funds are being requested have been completed in accordance with Section 1.7(c) below. Mortgagor shall submit to Mortgagee copies of invoices for which Funds are being requested, and if required by Mortgagee, shall also submit waivers of lien. Mortgagor shall execute and deliver to Mortgagee a certificate (in form and substance reasonably satisfactory to Mortgagee) that the Tenant Improvements covered by the applicable Disbursement Request comply with, and have fully satisfied, the terms and provisions of Section 1.7(c) below. Mortgagor shall provide such additional documents, certificates and affidavits as Mortgagee may reasonably request.

(ii) With respect to the final Disbursement Request relative to any Approved Lease, Mortgagor shall provide Mortgagee with (A) an original estoppel certificate executed by the tenant under the Approved Lease for which such request relates, stating that such tenant has accepted the Tenant Improvements, and has occupied the space covered by the Tenant Improvements and that there are no defaults under such lease (nor does there exist any event or conditions, which with the passage of time or the giving of notice, or both, could result in such a default), (B) if required by Mortgagee, an original subordination, non-disturbance and attornment agreement in form acceptable to Mortgagee executed by the tenant under the Approved Lease in favor of Mortgagee, (C) evidence of payment of rent by the tenant under the Approved Lease and (D) a copy of any and all applicable permanent certificates of occupancy and other governmental permits, if any be required, issued by applicable governmental authorities with respect to the Tenant Improvements, which certificates and permits allow the tenant to open for business as contemplated under such lease..

(iii) With respect to a Disbursement Request to pay any portion of the Leasing Commissions, Mortgagor shall provide evidence as reasonably requested by Mortgagee that such Leasing Commissions are then due and payable or have been properly paid, and such additional documents, certificates and affidavits as Mortgagee may reasonably request;

(iv) Notwithstanding any provision of this Section 1.7 to the contrary, Funds disbursed with respect to any Approved Lease (i) for Tenant Improvements shall be an amount not to exceed, under any circumstances, the reasonable costs and expenses actually incurred ' by Mortgagor therefore; and (ii) for Leasing Commissions shall be an amount not to exceed, under any circumstances, the commission actually incurred by Mortgagor therefore which is reasonable and customary for a licensed real estate broker in the market area in which the Property is located.

(c) Mortgagor shall construct and complete all Tenant Improvements within the time periods and as required by, and in accordance with, the Approved Leases. Mortgagor or tenant shall pay for and obtain or cause to be paid for and obtained all permits, licenses and approvals required by all applicable laws with regard to the Tenant Improvements, whether necessary for commencement, completion, use or otherwise. Mortgagor shall perform or cause to be performed all work in connection with the Tenant Improvements in a good and workmanlike manner, in compliance with all applicable laws (including, without limitation, any and all applicable life safety laws, environmental laws and laws for the handicapped and/or disabled) and, with respect only to those leases requiring Mortgagee approval, with the plans and specifications approved (in writing) by Mortgagee covering the same, which performance by Mortgagor shall be without regard to the sufficiency of the Funds. Mortgagor covenants and agrees that Tenant Improvements shall be constructed, installed or completed, as applicable, free and clear of any and all liens (including mechanic's, materialman's or other liens), claims and encumbrances whatsoever.

1.8. Security Interest In Reserves. (a) As additional security for the payment and performance by Mortgagor of all duties, responsibilities and obligations under the Note and the other Loan Documents, Mortgagor hereby unconditionally and irrevocably assigns, conveys, pledges, mortgages, transfers, delivers, deposits, sets over and confirms unto Mortgagee, and hereby grants to Mortgagee a security interest in all sums on deposit or due under this Mortgage and the other Loan Documents including, without limitation, (i) the Impound Account, the TILC Reserve, and, to the extent set forth on Exhibit C attached hereto, any Repair and Remediation Reserve, and any other reserve set forth on Exhibit C attached hereto (collectively, the "Reserves"), (ii) the accounts into which the Reserves have been deposited, (iii) all insurance on said accounts, (iv) all accounts, contract rights and general intangibles or other rights and interests pertaining thereto, (v). all sums now or hereafter therein or represented thereby, (vi) all replacements, substitutions or proceeds thereof, (vii) all instruments and documents now or hereafter evidencing the Reserves or such accounts, (viii) all powers, options, rights, privileges and immunities pertaining to the Reserves (including the right to make withdrawals therefrom), and (ix) all proceeds of the foregoing. Mortgagor hereby authorizes and consents to the account into which the Reserves have been deposited being held in Mortgagee's name or the name of any entity servicing the Note for Mortgagee and hereby acknowledges and agrees that Mortgagee, or at Mortgagee's election, such servicing agent, shall have exclusive control over said account. Notice of the assignment and security interest granted to Mortgagee herein may be delivered by Mortgagee at any time to the financial institution wherein the Reserves have been established, and Mortgagee, or such servicing entity, shall have possession of all passbooks or other evidences of such accounts. Mortgagor hereby holds Mortgagee harmless with respect to all risk of loss regarding amounts on deposit in the Reserves, except to the extent that any such loss is caused by the gross negligence or intentional misconduct of Mortgagee. Mortgagor hereby knowingly, voluntarily and intentionally stipulates, acknowledges and agrees that the advancement of the funds from the Reserves as set forth herein is at Mortgagor's direction and is not the exercise by Mortgagee of any right of set off or other remedy upon a default. If a default shall occur hereunder or under any other of the Loan Documents which is not cured within any applicable grace or cure period, then, for so long as such default is continuing, Mortgagee may, without notice or demand on Mortgagor, at its option: (A) withdraw any or all of the funds (including, without limitation, interest) then remaining in the Reserves and apply the same, after deducting all costs and expenses of safekeeping, collection and delivery (including, but not

limited to, attorneys fees, costs and expenses) to the indebtedness evidenced by the Note or any other obligations of Mortgagor under the other Loan Documents in such manner or as Mortgagee shall deem appropriate in its sole discretion, and the excess, if any, shall be paid to Mortgagor, (B) exercise any and all rights and remedies of a secured party under any applicable Uniform Commercial Code, or (C) exercise any other remedies available at law or in equity. No such use or application of the funds contained in the Reserves shall be deemed to cure any Event of Default hereunder.

(b) The Reserves are solely for the protection of Mortgagee and entail no responsibility on Mortgagee's part beyond the payment of the respective costs and expenses in accordance with the terms thereof and beyond the allowing of due credit for the sums actually received. Upon assignment of this Mortgage by Mortgagee, any funds in the Reserves shall be turned over to the assignee and any responsibility of Mortgagee, as assignor, with respect thereto shall terminate. The Reserves shall not, unless otherwise explicitly required by applicable law, be or be deemed to be escrow or trust funds, but, at Mortgagee's option and in Mortgagee's discretion, may either be held in a separate account or be commingled by Mortgagee with the general funds of Mortgagee. Upon full payment of the indebtedness secured hereby in accordance with its terms (or if earlier, the completion of the applicable conditions to release of each Reserve to Mortgagee's satisfaction) or at such earlier time as Mortgagee may elect, the balance in the Reserves then in Mortgagee's possession shall be paid over to Mortgagor and no - other party shall have any right or claim thereto.

(c) Any amounts received by Mortgagee from Mortgagor may be invested by Mortgagee (or its servicer) for its benefit, and Mortgagee shall not be obligated to pay, or credit, any interest earned thereon to Mortgagor except as may be otherwise specifically provided in this Mortgage.

1.9. Casualty and Condemnation Mortgagor shall give Mortgagee prompt written notice of the occurrence of any casualty affecting, or the institution: of any proceedings for eminent domain or for the condemnation of, the Property or any portion thereof (collectively, an "Insured Event"). All insurance proceeds on the Property, and all causes of action, claims, compensation, awards and recoveries for any damage, condemnation or taking of all or any part of the Property or for any damage or injury to it for any loss or diminution in value of the Property, are hereby assigned-to and shall be paid to Mortgagee. Mortgagee may participate in any suits or proceedings relating to any such proceeds, causes of action, claims, compensation., awards or recoveries and Mortgagee is hereby authorized, in its own name or in Mortgagor's name, to adjust any loss covered by insurance or any condemnation claim or cause of action, and to settle or compromise any claim or cause of action in connection therewith, and Mortgagor shall from time to time deliver to Mortgagee any instruments required to permit such participation; provided, however, that Mortgagee shall not have the right to participate in the adjustment of any loss which is not in excess of the lesser of (i) ten percent (10%) of the then outstanding principal balance of the Note, and (ii) \$400,000.00. Provided no default is then continuing hereunder or under any of the other Loan Documents and no event has occurred which, with the giving of notice or the passage of time or both, would constitute a default hereunder or under any of the other Loan Documents, Mortgagee shall apply any sums received by it under this Section first to the payment of all of its costs and expenses (including, but not

limited to reasonable legal fees and disbursements) incurred in obtaining those sums, and then, as follows:

(a) In the event that Mortgagee receives insurance proceeds or condemnation awards upon the occurrence of an Insured Event in an amount excess of the lesser of (i) ten percent (10%) of the then outstanding principal balance of the Note, and (ii) \$400,000.00 (collectively, the "Threshold Amount"), Mortgagor shall repair or restore the Property, and Mortgagee shall, to the extent such insurance proceeds or condemnation awards are available for such purpose under the provisions of this Section 1.09, disburse to Mortgagor the amount paid or incurred by Mortgagor as a result of any such Insured Event for costs and expenses incurred by Mortgagor to repair or restore the Property (collectively the "Repairs") in accordance with, and satisfaction of, the terms and conditions for disbursement relative to the Replacement Reserve as described on Exhibit C hereto.

(b) In the event any proceeds or awards from an Insured Event exceed the Threshold Amount but less than fifty percent (50%) of the Improvements located on the Real Estate have been taken or destroyed, then if

(1) the Property can, in Mortgagee's reasonable judgment, with diligent restoration or repair, be returned to a condition at least equal to the condition thereof that existed prior to the casualty or partial taking causing the loss or damage by the earlier to occur of the following dates: (i) six (6) months after the receipt of insurance proceeds or condemnation awards by either Mortgagor or Mortgagee, and (ii) six (6) months prior to the stated maturity date of the Note, and

(2) all necessary governmental approvals can be obtained to allow the rebuilding and reoccupancy of the Property as described in subsection (b)(1) above, and

(3) there are sufficient sums available (through insurance proceeds or condemnation awards and contributions by Mortgagor, the full amount of which shall at Mortgagee's option have been deposited with Mortgagee) for such restoration or repair (including, without limitation, for, any reasonable costs and expenses of Mortgagee to incurred in administering said restoration or repair) and for payment of principal and interest to become due and payable under the Note during such restoration or repair, and

(4) the economic feasibility of the Improvements after such restoration or repair will be such that income from their operation is reasonably anticipated to be sufficient to pay operating expenses of the Property and debt service on the indebtedness secured hereby in full with the same coverage ratio considered by Mortgagee in its determination to make the Loan, and

(5) Mortgagor shall have delivered to Mortgagee, at Mortgagor's sole cost and expense, an appraisal report from an appraiser, in form and substance, satisfactory to Mortgagee appraising the value of the Property as proposed to be restored or repaired to be not less than the appraised value of the Property considered

by Mortgagee in its determination to make the Loan, then, Mortgagee shall, solely for the purposes of such restoration or repair, advance so much of the remainder of such sums as may be required to facilitate such restoration or repair, and any funds deposited by Mortgagor therefor, to Mortgagor in the manner and upon such terms and conditions as would be required by a prudent interim construction lender, including, but not limited to, the prior approval by Mortgagee of plans and specifications, contractors and the form of construction contracts and the furnishing to Mortgagee of permits, bonds, lien waivers, invoices, receipts and affidavits from contractors and subcontractors in form and substance reasonably satisfactory to Mortgagee. Any remaining proceeds shall be applied by Mortgagee for payment of the indebtedness secured hereby (without prepayment penalty or premium) in whatever order as Mortgagee directs, or released to Mortgagor, in its absolute discretion. Mortgagor shall, in good faith, undertake reasonable efforts to cause the conditions described in this Section 1.9(b) to be fully satisfied (e.g., Mortgagor shall timely make applications for necessary governmental permits, shall order an appropriate appraisal report, etc.). If such conditions are satisfied, Mortgagor shall be obligated to undertake restoration and repair of the damaged improvements subject to the terms of this Section 1.9.

Any disbursement pursuant to this clause (b) of sums by Mortgagee shall, subject to Mortgagor's satisfaction of the provisions hereof, be in a manner to promptly facilitate the restoration or repair of the Property. In the event Mortgagor fails to meet the requirements of this clause (b), then Mortgagee may elect in its absolute discretion and without regard to the adequacy of Mortgagee's security, to accelerate the maturity date of the Note and declare any and all of the indebtedness secured hereby to be immediately due and payable and apply the remainder of such sums to the payment of the secured indebtedness (without prepayment penalty or premium) in whatever order Mortgagee directs in its sole discretion, with any remainder being paid to Mortgagor.

(c) In all other cases, namely, in the event That fifty percent (50%) or more of the Improvements located on the Real Estate have been taken or destroyed and/or the requirements of Section 1.09(b) are not all satisfied, Mortgagee may elect, in Mortgagee's absolute discretion and without regard to the adequacy of Mortgagee's security, to (1) accelerate the maturity date of the Note and declare any and all indebtedness secured hereby to be immediately due and payable and apply the remainder of such sums received pursuant to this Section to the payment of the secured indebtedness in whatever order Mortgagee directs in its absolute discretion (without prepayment penalty or premium), with any remainder being paid to Mortgagor, or (ii) make insurance or condemnation proceeds available to Mortgagor for repair or restoration if Mortgagor establishes to the satisfaction of Mortgagee, in its sole discretion, that Mortgagor otherwise satisfies the requirements of Section 1.9(b) above. Should Mortgagee make the election described immediately above in item (ii) of this Section 1.9(c), Mortgagor shall be obligated to undertake restoration and repair of the damaged Improvements consistent with the provisions of this Section 1.9.

(d) Any reduction in the indebtedness secured hereby resulting from Mortgagee's application of any sums received by it hereunder shall take effect only when Mortgagee actually receives such sums and elects to apply such sums to the indebtedness secured hereby and, in any event, the unpaid portion of the indebtedness secured hereby shall remain in

full force and effect and Mortgagor shall not be excused in the payment thereof. Partial payments received by Mortgagee, as described in the preceding sentence, shall be applied as set forth in Section 1.02(c) of the Note. If Mortgagor undertakes to restore or repair the Property after the occurrence of a casualty or partial taking of the Property as provided above, Mortgagor shall promptly and diligently, at Mortgagor's sole cost and expense and regardless of whether the insurance proceeds or condemnation award, as appropriate, shall be sufficient for the purpose, restore, repair, replace and rebuild the Property as nearly as possible to its value, condition and character immediately prior to such casualty or partial taking in accordance with the foregoing provisions and Mortgagor shall pay to Mortgagee all costs and expenses of Mortgagee incurred in administering said rebuilding, restoration or repair, provided that Mortgagee makes such proceeds or award available for such purpose. Mortgagor agrees to execute and deliver from time to time such further instruments as may be requested by Mortgagee to confirm the foregoing assignment to Mortgagee of any award, damage, insurance proceeds, payment or other compensation. Mortgagor hereby irrevocably constitutes and appoints Mortgagee the attorney in fact of Mortgagor (which power of attorney shall be irrevocable so long as any indebtedness secured hereby is outstanding, shall be deemed coupled with an interest, shall survive the voluntary or involuntary dissolution of Mortgagor and shall not be affected by any disability or incapacity suffered by Mortgagor subsequent to the date hereof), with full power of substitution, subject to the terms of this Section, to settle for, collect and receive any such awards, damages, insurance proceeds, payments or other compensation from the parties or authorities making the same, to appear in and prosecute any proceedings therefor and to give receipts and acceptance therefor,

1.10. Mechanics Liens. Mortgagor shall pay when due all claims and demands of mechanics, materialman laborers and others for any work performed or materials delivered for the Real Estate or the Improvements; provided, however, that Mortgagor shall have the right to contest in good faith any such claim or demand, so long as it does so diligently, by appropriate proceedings and without prejudice to Mortgagee and provided that neither the Property nor any interest therein would be in any danger of sale, loss or forfeiture as a result of such proceeding or contest. In the event Mortgagor shall contest any such claim or demand, Mortgagor shall promptly notify Mortgagee of such contest and thereafter shall, upon Mortgagee's request, promptly provide a bond, cash deposit or other security satisfactory to Mortgagee to protect Mortgagee's interest and security should the contest be successful. If Mortgagor, shall fail to immediately discharge or provide security (after the aforementioned request) against any such claim or demand as aforesaid, Mortgagee may do so and any and all expenses incurred by Mortgagee, together with interest thereon at the Default Interest Rate (as defined in the Note) from the date incurred by Mortgagee until actually paid by Mortgagor, shall be immediately paid by Mortgagor on demand and shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note.

1.11. Assignment of Leases and Rents. Mortgagor acknowledges and confirms that, as additional collateral security for the payment of the indebtedness secured hereby, and cumulative of any and all rights and remedies herein provided, it has executed and delivered to Mortgagee an Assignment of Leases and Rents of even date herewith (the "Assignment"), intending such Assignment to create a present, absolute assignment to Mortgagee of the leases and Rents. Upon the occurrence of a default under this Mortgage which has not been cured within: any applicable grace or cure period, Mortgagee shall be entitled to exercise any or all of

the remedies provided in this Mortgage and in the Assignment, including, without limitation, the appointment of a receiver. The Assignment shall continue in full force and effect during any period of foreclosure or redemption with respect to the Property.

1.12 Leases and Licenses

(a) Mortgagor covenants and agrees that it shall not enter into any lease affecting 6,000 square feet or more of the Property or having a term (including any renewal or extension term) of more than 10 years without the prior written approval of the Mortgagee, which approval shall not be unreasonably withheld. The request for approval of each such proposed Mortgage, failure to approve or disapprove such proposed lease within ten (10) business days is deemed approval and Mortgagor shall furnish to Mortgagee (and any loan servicer specified from time to time by Mortgagee): (i) such biographical and financial information about the proposed tenant as Mortgagee may reasonably require in conjunction with its review, (ii) a copy of the proposed form: of lease, and (iii) a summary of the material terms of such proposed lease (including, without limitation, rental terms and the term of the proposed lease and any options). It is acknowledged that Mortgagee intends to include among its criteria for approval of any such proposed lease the following: (i) such lease shall be with a bona-fide arm's-length tenant; (ii) such lease shall not contain any rental or other concessions which are not then customary and reasonable for similar properties and leases in the market area of the Real Estate; (iii) such lease shall provide that the tenant pays for its expenses; (iv) the rental shall be at least at the market rate then prevailing for similar properties and leases in the market areas of the Real Estate; and (v) such lease shall contain subordination and attornment provisions in form and content acceptable to Mortgagee. Failure of Mortgagee to approve or disapprove any such proposed lease within ten (10) business days after receipt of such written request and all the documents and information required to be furnished to Mortgagee with such request shall be deemed approval, provided that the written request for approval specifically mentioned the same (any disapproval by Mortgagee shall contain the reasons, in reasonable detail, for such disapproval)

(b) All other leases shall be written on the standard form lease (without any material changes) which Mortgagee has approved and shall be on arm's-length terms consistent with the terms for similar leases in the market area of the Real Estate, shall provide for free rent only if the same is consistent with prevailing market conditions and shall provide for market rents then prevailing in the market area of the Real Estate. Such leases shall also provide for Security Deposits in reasonable amounts. Mortgagor shall also submit to Mortgagee for Mortgagee's approval, which approval shall not be unreasonably withheld, prior to the execution thereof, any proposed lease, license or occupancy agreement of the Improvements or any portion thereof that differs materially and adversely from the aforementioned form lease. Mortgagor shall not execute any lease, license or occupancy agreement for all or a substantial portion of the Property, except for an actual occupancy by the tenant, lessee or licensee thereunder, and shall at all times promptly and faithfully perform, or cause to be performed, all of the covenants, conditions and agreements contained in all leases, licenses, and occupancy agreements with respect to the Property, now or hereafter existing, on the part of the landlord, lessor or licensor thereunder to be kept and performed. In addition to the requirements set forth in Section 1.18(c) of this Mortgage, Mortgagor shall furnish to Mortgagee, within ten (10)'days after a request by Mortgagee to do so (but not more frequently than once per calendar quarter), a current rent roll

certified by Mortgagor as being true and correct containing the names of all tenants, lessees and licensees with respect to the Property, the terms of their respective leases, licenses or occupancy agreements, the spaces occupied and the rentals or fees payable thereunder and the amount of each tenant's security deposit. Upon the request of Mortgagee, Mortgagor shall deliver to Mortgagee a copy of each such lease, license and occupancy agreement. Mortgagor shall not do or suffer to be done any act that might result in a default by the landlord, lessor or licensor under any such lease, license or occupancy agreement or allow the tenant, lessee or licensee thereunder to withhold payment or rent and, except as otherwise expressly permitted by the terms of Section 1.13 hereof, shall not further assign any such lease, license or occupancy agreement or any such rents. Mortgagor, at no cost or expense to Mortgagee, shall enforce, short of termination, the performance and observance of each and every condition and covenant of each of the parties under such leases. Mortgagor shall not, without the prior written consent of Mortgagee, modify any of the leases; terminate or accept the surrender of any leases, waive or release any other party from the performance or observance of any obligation or condition under such leases except, with respect only to leases affecting less than 6,000 square feet and having a term of ten (10) years or less, in the normal course of business in a manner which is consistent with sound and customary leasing and management practices for similar properties in the community in which the Property is located. Mortgagor shall not permit the prepayment of any rents under any of the leases for more than one (1) month prior to the due date thereof.

1.13. Alienation and Further Encumbrances.

(a) Mortgagor acknowledges that Mortgagee has relied upon the principals of Mortgagor and their experience in owning and operating properties similar to the Property in connection with the closing of - the Loan. Accordingly, except as specifically allowed hereinbelow in this Section and notwithstanding anything to the contrary contained in Section 4.5 hereof, in the event that the Property or any part thereof or interest therein shall be sold (including any installment sales agreement), conveyed, disposed of, alienated, hypothecated, leased (except to tenants of space in the Improvements in accordance with the provisions of Section 1.12 hereof), assigned, pledged, mortgaged, further encumbered or otherwise transferred or Mortgagor shall be divested of its title to the Property or any interest therein, in my manner or way, whether voluntarily or involuntarily, without the prior written consent of Mortgagee being first obtained, which consent may be withheld in Mortgagee's sole discretion, then the same shall constitute a default hereunder and Mortgagee shall have the right, at its option, to declare any or all of the indebtedness secured hereby, irrespective of the maturity date specified in the Note, immediately due and payable and to otherwise exercise any of its other rights and remedies contained in Article III hereof. If such acceleration is during any period when a prepayment fee is payable pursuant to the provisions set forth in the Note, then, in addition to all of the foregoing, such prepayment fee shall also then be immediately due and payable to the same end as though Mortgagor were prepaying the entire indebtedness secured hereby on the date of such acceleration. For the purposes of this Section, the sale, conveyance, transfer, disposition, alienation, hypothecation, pledge or encumbering (whether voluntarily or involuntarily) of all or any portion of the ownership interest in (or, directly or indirectly through constituent parties, any of the ultimate beneficial ownership interest in) Mortgagor shall be deemed to be a transfer of an interest in the Property. Notwithstanding the foregoing, however, transfers or assignments of ownership interests in Mortgagor (or its constituent parties) may be undertaken without the consent of Mortgagee in the following circumstances:

(1) In the case of a Mortgagor which is a limited partnership, up to 49% of the limited partnership interests in Mortgagor shall be freely transferable so long as those persons responsible for the management and control of Mortgagor and the Property remain unchanged following such transfer.

(2) In the case of a Mortgagor which constitutes a limited liability company, up to 49% of the non-managing membership interests in Mortgagor shall be freely transferable so long as those persons responsible for the management and control of Mortgagor and the Property remain unchanged following such transfer.

(3) In the case of a Mortgagor which constitutes a corporation, up to 49% of the aggregate of the issued and outstanding capital stock of Mortgagor may be sold or assigned, taking into account (i) any prior sales or assignments, and (ii) the effective change in ownership resulting from any issuance of new shares of capital stock in Mortgagor or its constituent party.

(4) Gifts for estate planning purposes of any individual's interests in Mortgagor or in any of Mortgagor's general partners, members or joint venturers to the spouse or any lineal descendant of such individual, or to a trust for the benefit of any one or more of such individual, spouse or lineal descendant, shall not be a default under this Mortgage so long as Mortgagor is reconstituted, if required, following such gift and so long as those persons responsible for the management of the Property and Mortgagor remain unchanged following such gift or any replacement management is approved by Mortgagee.

(5) Involuntary assignments or transfers caused by the death, incompetence or dissolution of Mortgagor, one of its constituent parties or the owner of one of its constituent parties are permitted if: (i) Mortgagor is reconstituted, if required, following such death, incompetence or dissolution, and (ii) those persons responsible for the management and control of Mortgagor and the Property remain unchanged as a result of such death, incompetence or dissolution or any replacement management is approved by Mortgagee,

Notwithstanding the foregoing, for so long as Thor Chestnut Hill Equity, LP, a Delaware limited partnership ("Thor Equity") is a limited partner in Thor Chestnut Hill, LP and/or Thor Chestnut Hill II, LP, the following provision shall apply with respect to Thor Chestnut Hill, LP and interests in such entity and with respect to Thor Chestnut Hill II, LP and interests in such entity: limited partnership interests in Thor Equity may be freely transferred (and limited partnership interests in one or both of the entities comprising Mortgagor may thereby be indirectly transferred) in excess of the limitations established in Section 1.13(x)(1) above so long as, following each such transfer, all of the following conditions are satisfied:

(x) at all times, Joseph J. Sift shall own, directly or indirectly, at least twenty five percent (25%) of the ownership interests in each of the entities comprising Mortgagor;

(y) at all times, Joseph I Sitt shall possess, directly or indirectly, the power to direct or cause the direction of the management, operations and policies of each of the entities comprising Mortgagor and of the Property; and

(z) (A) no person, together with its affiliates, shall acquire more than a twenty-two percent (22%) direct and/or indirect interest in either or both of the entities comprising Mortgagor without Mortgagee's prior written consent and (B) no person, together with its affiliates, shall acquire more than a forty-nine percent (49%) direct and/or indirect interest in either or both of the entities comprising Mortgagor without both (I) Mortgagee's prior written consent and (II) if required under the operative documents with respect to a Secondary Market Transaction (as hereinafter defined), Mortgagee shall have received evidence in writing from the Rating Agency to the effect that the proposed transfer will not result in a re-qualification, reduction, downgrade or withdrawal of any rating initially assigned or to be assigned in a Secondary Market Transaction or, if no such rating has been issued, in Mortgagee's good faith judgment, such transfer shall not have an adverse effect on the level of rating obtainable in connection with the loan secured hereby.

In all cases where assignment of ownership interests is allowed pursuant to this Section 1.13 (a), the proportionate ownership which is proposed to be transferred shall be calculated so as to take into account prior transfers or assignments. Furthermore, the sale, conveyance, transfer, disposition, alienation, hypothecation, pledge or encumbering (whether voluntarily or involuntarily) of all or any portion of the ownership interest in (or, directly or indirectly through constituent parties, any of the ultimate beneficial ownership interest in) any guarantor of Mortgagor's obligation hereunder or under any of the other Loan Documents shall constitute a default hereunder and Mortgagee shall have the right to exercise its various remedies described hereinabove; provided, however, ownership interests in any such guarantor may be transferred in a manner consistent with the allowable transfers of ownership interests in Mortgagor described hereinabove.

(b) Notwithstanding the foregoing provisions of this Section, Mortgagee shall consent to a sale, conveyance or transfer of the Property in its entirety (hereinafter, a "Sale") to any person or entity provided that each of the following terms and conditions are satisfied (by way of clarification, transfers permitted under Section 1.13(a) above are not subject to the requirement of this Section 1.13(b)):

(1) No defaults then continuing hereunder or under any of the other Loan Documents;

(2) Mortgagor gives Mortgagee written notice of the terms of such prospective Sale not less than forty-five (45) days before the date on which such Sale is scheduled to close and, concurrently therewith, gives Mortgagee all reasonable information concerning the proposed transferee of the Property (hereinafter, a "Buyer") as Mortgagee would require in evaluating an initial extension of credit to a borrower and pays to the Mortgagee a non-refundable application fee in the amount of \$5,000.00 (the "Application Fee"). Mortgagee shall have the right, in its reasonable discretion, to approve or disapprove the proposed Buyer. In determining whether to give or withhold its approval of the proposed Buyer, Mortgagee shall consider, among other things, the Buyer's experience and track record in owning and operating facilities similar to the Property, the Buyer's entity structure, the Buyer's financial strength, the Buyer's general business standing and the Buyer's relationships and experience with contractors, vendors, tenants, lenders and other business entities;

(3) Mortgagor pays Mortgagee, concurrently with the closing of such Sale, a non-refundable assumption fee (the "Assumption fee") in an amount equal to one quarter of one percent (1/4%) of the then outstanding principal balance of the Note. The Application Fee shall be used to pay Mortgagee's reasonable and customary out-of-pocket costs and expenses, including, without limitation, reasonable attorneys fees incurred by Mortgagee in connection with the Sales. Mortgagor's obligation to pay such out-of-pocket costs and expenses and attorneys fees of Mortgagee in connection with such Sale shall not exceed the Application Fee;

(4) The Buyer assumes and agrees to pay the indebtedness secured hereby subject to the provisions of Section 4.23 hereof and to perform the covenants of Mortgagor under the Loan Documents, and, prior to or concurrently with the closing of such Sale, the Buyer executes, without any cost or expense to Mortgagee, such documents and agreements as Mortgagee shall reasonable require to evidence and effectuate said assumption and delivers such legal opinions as Mortgagee may require;

(5) Mortgagor and the Buyer execute, without any cost or expense to Mortgagee, new financing statements or financing statement amendments and any additional documents reasonably requested by Mortgagee;

(6) Mortgagor delivers to Mortgagee, without any cost or expense to Mortgagee, such endorsements to Mortgagee's Title Insurance Policy, hazard insurance endoresments or certificates and other similar materials as Mortgagee may deem necessary at the time of the Sale, all in form and substance satisfactory to Mortgagee, including, without limitation, an endorsement or endorsements to Mortgagee's Title Insurance Policy insuring the lien of this mortgage, extending the effective date of such policy to the date of execution and delivery (or, if late, of recording) of the assumption agreement referenced above in subparagraph (4) of this Section 1.13(b) with no additional exceptions added to such policy and insuring that fee simple title to the Property is vested in the Buyer;

(7) Mortgagor executes and delivers to Mortgagee, without any cost or expense to Mortgagee, a release of Mortgagee, its officers, directors, employees and agents, from all claims and liability relating to the transactions evidenced by the Loan Documents through and including the date of the closing of the Sale, which agreement shall be in form and substance satisfactory to Mortgagee and shall be binding upon the Buyer;

(8) Subject to the provisions of Section 4.23 hereof, such Sale is not construed so as to relieve Mortgagor of any personal liability under the Note or any of the other Loan Documents for any acts or events occurring or obligations arising prior to or simultaneously with the closing of such Sale and Mortgagor executes, without any cost or expense to the Mortgagee, such documents and agreements as Mortgagee shall reasonable require to evidence and effectuate the ratification of said personal liability.

(9) Such Sale is not construed so as to relieve any current guarantor or indemnitor of its obligations under any guaranty or indemnity agreement executed in connection with the loan secured hereby and each such current guarantor and indemnitor executes, without any cost or expense to Mortgagee, such documents and agreements as Mortgagee shall reasonably require to evidence and effectuate the ratification of each such guaranty and indemnity agreement, provided that if the Buyer or a party associated with the Buyer approved by Mortgagee in its sole discretion assumes the obligations of the current guarantor or indemnitor under its guaranty or indemnity agreement and the Buyer or such party associated with the Buyer, as applicable, executes, without any cost or expense to Mortgagee, a new guaranty or indemnity agreement in form and substance satisfactory to Mortgagee, then Mortgagee shall released the current guarantor or indemnitor from all obligations arising under its guaranty or indemnity agreement after the closing of such Sale;

(10) The Buyer shall furnish, if the Buyer is a corporation, partnership or other entity, all documents evidencing the Buyer's capacity and good standing, and the qualification of the signets to execute the assumption of the indebtedness secured hereby, which documents shall include; but not in any way be limited to, certified copies of all documents relating to the organization and formation of the Buyer and of the entities, if any, which are partners or members of the Buyer. The Buyer and such constituent partners, members or shareholders of Buyer (as the case may be), as Mortgagee may require, shall be single-purpose, single-asset "bankruptcy remote" entities, whose formation documents shall be approved by counsel to Mortgagee;

(11) The Buyer, if required by Mortgagee, shall finish an opinion of counsel satisfactory to Mortgagee and its counsel (i) that the Buyer's formation documents provide for the matters described in subparagraph (10) of this Section 1,13(b), (ii) that the assumption of the indebtedness evidenced hereby has been duly authorized, executed and delivered, and that the Loan Documents are valid, binding and enforceable against the Buyer in accordance with their terms, (iii) that the Buyer and any entity which is a controlling stockholder, member or general partner of Buyer, have been duly organized, and are in existence and good standing, and (iv) with respect to such other matters, as Mortgagee may request;

(12) If the Buyer is a single-member limited liability company, Buyer must be formed in the state of Delaware, and the Buyer's operating agreement must provide for the continued existence of the Buyer in the event of the bankruptcy or dissolution of the sole member. The Buyer, if required by Mortgagee, shall also furnish an opinion of counsel satisfactory to Mortgagee and its counsel that if the Buyer is a single-member limited liability company, that (i) the Buyer is a separate legal entity formed in the state of Delaware, (ii) that the separate existence of the Buyer shall continue until the cancellation of the certificate of organization, (iii) that

the Buyer's operating agreement provides for the continued existence of the Buyer in the event of the bankruptcy or dissolution of the sole member, and that such provisions would be enforceable notwithstanding the bankruptcy of the sole member, and (iv) that any judgment creditor of the sole member may not satisfy its claims against the sole member by asserting a claim against the Property or any other assets of the Buyer;

(13) If required under the operative documents with respect to a Secondary Market Transaction (as hereinafter defined), Mortgagee shall have received evidence in writing from the Rating Agency to the effect that the proposed transfer will not result in a re-qualification, reduction, downgrade or withdrawal of any rating initially assigned or to be assigned in a Secondary Market Transaction (as hereinafter defined) or, if no such rating has been issued, in Mortgagee's good faith judgment, such transfer shall not have an, adverse effect on the level of rating obtainable in connection with the loan secured hereby; and

(14) Mortgagor's obligations under the contract of sale pursuant to which such Sale, conveyance or transfer is proposed to occur shall expressly be subject to the satisfaction of the terms and conditions of this Section 1.13(b).

1.14. Payment of Utilities, Assessments, Charges, Etc. Mortgagor shall pay when due all utility charges which are incurred by Mortgagor or which may become a charge or lien against any portion of the Property for gas, electricity, water and sewer services furnished to the Real Estate and/or the Improvements and all other assessments or charges of a similar nature, or assessments payable pursuant to any restrictive covenants, whether public or private, affecting the Real Estate and/or the Improvements or any portion thereof, whether or not such assessments or charges are or may become liens thereon.

1.15. Access Privileges and Inspections. Mortgagee and the agents, representatives and employees of Mortgagee shall, subject to the rights of tenants, have full and free access to the Real Estate and the Improvements and any other location where books and records concerning the Property are kept at all reasonable times and upon reasonable notice for the purposes of inspecting the Property and of examining, copying and making extracts from the books and records of Mortgagor relating to the Property. Mortgagor shall lend assistance to all such agents, representatives and employees of Mortgagee.

1.16. Waste; Alteration of the Property. Mortgagor shall not commit, suffer or permit any waste on the Property nor take any actions that might invalidate any insurance carried on the Property. Mortgagor shall maintain the Property in good condition, and repair. No part of the Improvements may be removed, demolished or materially altered, without the prior written consent of Mortgagee. Without the prior written consent of Mortgagee, Mortgagor shall not commence construction of any improvements on the Real Estate other than improvements required for the maintenance or repair of the Property.

1.17. Zoning; Use. Without the prior written consent of Mortgagee, Mortgagor shall not seek, make, suffer, consent to or acquiesce in any change in the zoning or conditions of use of the Real Estate or the Improvements. Mortgagor shall comply with and make all payments required under the provisions of any covenants, conditions or restrictions affecting the Real

Estate or the Improvements. Mortgagor shall comply with all existing and future requirements of all governmental authorities having jurisdiction over the Property. Mortgagor shall keep all licenses, permits, franchises, certificates of occupancy, consents, and other approvals necessary for the operation of the Property in full force and effect. Mortgagor shall operate the Property as a retail shopping center for so long as the indebtedness secured hereby is outstanding. If, under applicable zoning provisions, the use of all or any part of the Real Estate or the Improvements is or becomes a nonconforming use, Mortgagor shall not cause or permit such use to be discontinued or abandoned without the prior written consent of Mortgagee. Further, without Mortgagee's prior written consent, Mortgagor shall not file or subject any part of the Real Estate or the Improvements to any declaration of condominium or cooperative or convert any part of the Real Estate or the Improvements to a condominium, cooperative or other form of multiple ownership and governance.

1.18. Financial Statements and Books and Records. Mortgagor shall keep accurate books and records of account of the Property and its own financial affairs sufficient to permit the preparation of financial statements therefrom in accordance with generally accepted accounting principles. Mortgagee and its duly authorized representatives shall have the right to examine, copy and audit Mortgagor's records and books of account at all reasonable times and upon reasonable notice. So long as this Mortgage continues in effect, Mortgagor shall provide to Mortgagee, in addition to any other financial statements required hereunder or under any of the other Loan Documents, the following financial statements and information, all of which must be certified to Mortgagee as being true and correct by Mortgagor or the entity to which they pertain, as applicable, be prepared in accordance with generally accepted accounting principles consistently applied and be in form and substance acceptable to Mortgagee:

(a) copies of all tax returns filed by Mortgagor, within thirty (30) days after the date of filing;

(b) quarterly operating statements for the Property, within fifteen (15) days after the end of each March, June, September and December;

(c) current rent rolls for the Property, within fifteen (15) days after the end of

(d) annual balance sheets for the Property and annual financial statements for Mortgagor, each principal or general partner in Mortgagor, and each indemnitor and guarantor under any indemnity or guaranty executed in connection with the loan secured hereby within ninety (90) days after the end of each calendar year; and

(e) such other information with respect to the Property, Mortgagor, the principals, members or general partners in Mortgagor, and each indemnitor and guarantor under any indemnity or guaranty executed in connection with the loan secured hereby, which may be reasonably requested from time to time by Mortgagee, within a reasonable time after the applicable request.

If any of the aforementioned materials are not furnished to Mortgagee within the applicable time periods, Mortgagor shall pay to Mortgagee a late fee of \$250.00. Further, if any of the

aforementioned materials are not furnished to Mortgagee within the applicable time periods set forth above and thereafter within an additional fifteen (15) days after written request by Mortgagee, or if Mortgagee is dissatisfied with the contents of any of the foregoing, in addition to any other rights and remedies of Mortgagee contained herein, Mortgagee shall have the right, but not the obligation, to obtain the same by means of an audit by an independent certified public accountant selected by Mortgagee, in which event Mortgagor agrees to pay, or to reimburse Mortgagee for, any expense of such audit and further agrees to provide all necessary information to said accountant and to otherwise cooperate in the making of such audit. Mortgagor agrees that any and all materials furnished hereunder are the property of Mortgagee (and Mortgagee's servicer) and may be released and made available to such parties as Mortgagee or its servicer deems appropriate, including any Rating Agency responsible for rating securities issued in any Secondary Market Transaction (as hereinafter defined).

1.19. Further Documentation. Mortgagor shall, on the request of Mortgagee in its reasonable discretion and at the expense of Mortgagor, promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage or in any of the other Loan Documents and promptly execute, acknowledge, deliver and record or file such further instruments and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents or as I may be deemed advisable by Mortgagee to protect, continue or preserve the liens and security interests hereunder including, without limitation, security instruments, financing statements and continuation statements.

1.20. (a) Payment of Costs. Mortgagor shall pay all reasonable costs and expenses of every character incurred in connection with the closing of the Loan or otherwise attributable or chargeable to Mortgagor as the owner of the Property, including, without limitation, appraisal fees, recording fees, documentary, stamp, mortgage or intangible taxes, brokerage fees and commissions, title policy premiums and title search fees, uniform commercial code/tax lien/litigation search fees, escrow fees and reasonable attorneys fees.

(b) Advances to protect Property: Without limiting or waiving any other rights and remedies of Mortgagee hereunder, if Mortgagee reasonably determines that Mortgagor is not adequately performing or has failed to perform any of its obligations, covenants or agreements contained in this Mortgage or in any of the other Loan Documents and such inadequacy or failure is not cured within any applicable grace or cure period, or if any action or proceeding of any kind (including, but not limited to, any bankruptcy, insolvency, arrangement, reorganization or other debtor relief proceeding) is commenced which might affect Mortgagee's interest in the Property or Mortgagee's right to enforce its security, then Mortgagee may, at its option, with or without notice to Mortgagor, make any appearances, disburse or advance any sums and take any actions as may be necessary or desirable to protect or enforce the security of this Mortgage or to remedy the failure of Mortgagor to perform its covenants and agreements (without, however, waiving any default of Mortgagor). Mortgagor agrees to pay on demand all expenses of Mortgagee reasonably incurred with respect to the foregoing (including, but not limited to, fees and disbursements of counsel), together with interest thereon at the Default Interest Rate (as defined in the Note) from and after the date on which Mortgagee incurs such expenses until reimbursement thereof by Mortgagor. Any such expenses so incurred by Mortgagee, together with interest thereon as provided above, shall be additional indebtedness of

Mortgagor secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note. The necessity for any such actions and of the amounts to be paid shall be determined by Mortgagee in its sole and absolute discretion. Mortgagee is hereby empowered to enter and to authorize others to enter upon the Property or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to Mortgagor or any person in possession holding under Mortgagor. Mortgagor hereby acknowledges and agrees that the remedies set forth in this Section 1.20(b) shall be exercisable by Mortgagee, and any and all payments made or costs or expenses incurred by Mortgagee in connection therewith shall be secured hereby and shall be, without demand, immediately repaid by Mortgagor with interest thereon at the Default Interest Rate (as defined in the Note), notwithstanding the fact that such remedies were exercised and such payments made and costs incurred by Mortgagee after the filing by Mortgagor of a voluntary case or the filing against Mortgagor of an involuntary case pursuant to or within the meaning of the Bankruptcy Reform Act of 1978, as amended (the "Act"), Title 11 U.S.C., or after any similar action pursuant to any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable to Mortgagor, Mortgagee, any guarantor or indemnitor, the secured indebtedness or any of the Loan Documents, This indemnity shall survive payment in full of the indebtedness secured hereby. This Section 1.20(b) shall not be construed to require Mortgagee to incur any expenses, make any appearances or take any actions.

1.21. Security Interest. This Mortgage is also intended to encumber and create a security interest in, and Mortgagor hereby grants to Mortgagee a security interest in, all Reserves (as hereinabove defined), fixtures, chattels, accounts, equipment, inventory, contract rights, general intangibles and other personal property included within the Property, all renewals, replacements of any of the aforementioned items, or articles in substitution therefor or in addition thereto or the proceeds thereof (said property is hereinafter referred to collectively as the "Collateral"), whether or not the same shall be attached to the Real Estate or the Improvements in any manner. It is hereby agreed that to the extent permitted by law, all of the foregoing property is to be deemed and held to be a part of and affixed to the Real Estate and the Improvements. The foregoing security interest shall also cover Mortgagor's leasehold interest in any of the foregoing property which is leased by Mortgagor. Notwithstanding the foregoing, all of the foregoing property shall be owned by Mortgagor and no leasing or installment sales or other financing or title retention agreement in connection therewith shall be permitted without the prior written approval of Mortgagee. Mortgagor shall promptly replace all of the Collateral subject to the lien or security interest of this Mortgage when worn out or obsolete with Collateral comparable to the worn out or obsolete Collateral when new and will not, without the prior written consent of Mortgagee, remove from the Real Estate or the Improvements any of the Collateral subject to the lien or security interest of this Mortgage except such as is replaced by an article of equal suitability and value as above provided, owned by Mortgagor free and clear of any lien or security interest except that created by this Mortgage and the other Loan Documents and except as otherwise expressly permitted by the terms of Section 1.13 of this Mortgage. All of the Collateral shall be kept at the location of the Real Estate except as otherwise required by the terms of the Loan Documents. Mortgagor shall not use any of the Collateral in violation of any applicable statute, ordinance or insurance policy.

1.22. Security Agreement. This Mortgage constitutes a mortgage and a "security agreement" between Mortgagor and Mortgagee with respect to the Collateral in which Mortgagee is granted a security interest hereunder, and, cumulative of all other rights and remedies of Mortgagee hereunder, Mortgagee shall have all of the rights and remedies of a secured party under any applicable Uniform Commercial Code. Mortgagor hereby agrees to execute and deliver on demand and hereby irrevocably constitutes and appoints Mortgagee the attorney-in fact of Mortgagor to execute and deliver and, if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements, continuation statements or other instruments as Mortgagee may request or require in order to impose, perfect or continue the perfection of the lien or security interest created hereby. Expenses of retaking, holding, preparing for sale, selling or the like (including, without limitation, Mortgagee's reasonable attorneys' fees and legal expenses), together with interest thereon at the Default Interest Rate from the date incurred by Mortgagee until actually paid by Mortgagor, shall be paid by Mortgagor on demand and shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note. If notice is required by law, Mortgagee shall give Mortgagor at least ten (10) days prior written notice of the time and place of any public sale of such property or of the time of or after which any private sale or any other intended disposition thereof is to be made, and if such notice is sent to Mortgagor, as the same is provided for the mailing of notices herein, it is hereby deemed that such notice shall be and is reasonable notice to Mortgagor. No such notice is necessary for any such property which is perishable, threatens to decline speedily in value or is of a type customarily sold on a recognized market. Any sale made pursuant to the provisions of this Section 1.22 shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the foreclosure sale as provided in Section 3.1(e) hereof upon giving the same notice with respect to the sale of the property hereunder as is required under said Section 3.1(e). Furthermore, to the extent permitted by law, in conjunction with, in addition to or in substitution for the rights and remedies available to Mortgagee pursuant to any applicable Uniform Commercial Code:

(a) in the event of a foreclosure sale, the Property may, at the option of Mortgagee, be sold as a whole; and

It shall not be necessary that Mortgagee take possession of the aforementioned Collateral, or any part thereof, prior to the time that any sale pursuant to the provisions of this Section 1.22 is conducted and it shall not be necessary that said Collateral, or any part thereof, be present at the location of such sale; and

(c) Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Mortgagee, including the sending of notices and the conduct of the sale, but in the name and on behalf of Mortgagee.

Mortgagor will not change the principal place of business or chief executive office set forth below, or change the state of its organization or registration, or change its name, without in each instance the prior written consent of Mortgagee, which consent shall not be unreasonably withheld, delayed or conditioned. Mortgagee's consent will, however, be conditioned upon, among other things, the execution and delivery(,) of additional- financing statements, security agreements and other instruments which may be necessary to effectively evidence or perfect

Mortgagee's security interest in the Collateral as a result of such changes. The name, principal place of business and chief executive office of Mortgagor (as Debtor under any applicable Uniform Commercial Code), as of the date hereof, are:

Thor Chestnut Hill, L.P.
c/o Thor Equities, LLC
139 Fifth Avenue
New York, New York 10010
Attn: Joseph J. Sitt and Kurt Reich

Thor Chestnut Hill H, L.P.
c/o Thor Equities, LLC
139 Fifth Avenue
New York, New York 10010
Attn: Joseph J. Sitt and Kurt Reich,

The name and address of Mortgagee (as Secured Party under any applicable Uniform Commercial Code), as of the date hereof, are:

Column Financial, Inc.
Eleven Madison Avenue
9th Floor
New York, New York 10010-3629
Attn: Edmund Taylor.

1.23. Easements and Rights-of-Way. Mortgagor shall not grant any easement or right of-way with respect to all or any portion of the Real Estate or the Improvements without the prior written consent of Mortgagee, which shall not be unreasonably withheld. The purchaser at any foreclosure sale hereunder may, at its discretion, disaffirm any easement or right-of-way granted in violation of any of the provisions of this Mortgage and may take immediate possession of the Property free from, and despite the terms of, such grant of easement or right-of-way. If Mortgagee consents to the grant of an easement or right-of-way, Mortgagee agrees to grant such consent without charge to Mortgagor other than reasonable expenses, including, without limitation, reasonable attorneys' fees, incurred by Mortgagee in the review of Mortgagor's request and, if applicable, in the preparation of documents relating to the subordination of this Mortgage to such easement or right-of-way.

1.24. Compliance with Laws. (a) Mortgagor shall at all times comply with all statutes, ordinances, regulations and other governmental or quasi-governmental requirements and private covenants now or hereafter relating to the ownership, construction, use or operation of the Property, including, but not limited to, those concerning employment and compensation of persons engaged in operation and maintenance of the Property and any environmental or ecological requirements, even if such compliance shall require structural changes to the Property; provided, however, that Mortgagor may, upon providing Mortgagee with security satisfactory to Mortgagee, proceed diligently. and in good faith to contest the validity or applicability of any

such statute, ordinance, regulation or requirement so long as during such contest the Property shall not be subject to any lien, charge, fine or other liability and shall not be in danger of being forfeited, lost or closed. Mortgagor shall not use or occupy, or allow the use or occupancy of, the Property in any manner which violates any lease of or any other agreement applicable to the Property or any applicable law, rule, regulation or order or which constitutes a public or private nuisance or which makes void, voidable or cancelable, or increases the premium of, any insurance then in force with respect thereto.

(b) Mortgagor agrees that the Property shall at all times comply to the extent applicable with the requirements of the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act of 1988 and all other state and local laws and ordinances related to handicapped access and all rules, regulations,, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("Access Laws"). Mortgagor agrees to give prompt notice to Mortgagee of the receipt by Mortgagor of any complaints related to violations of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with applicable Access Laws.

1.25. Additional Taxes. In the event of the enactment after this date of any law of the state where the Property is located or of any other governmental entity deducting from the value of the Property for the purpose of taxation any lien or security interest thereon, or imposing upon Mortgagee the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Mortgagor, or changing in any way the laws relating to the taxation of mortgages or security agreements or debts secured by mortgages or security agreements or the interest of the mortgagee or secured party in the property covered thereby, or the manner of collection of such taxes, so as to adversely affect this Mortgage or the indebtedness secured hereby or Mortgagee, then, and in any such event, Mortgagor, upon demand by Mortgagee, shall pay such taxes, assessments, charges or liens, or reimburse Mortgagee therefor; provided, however, that if in the opinion of counsel for Mortgagee (a) it might be unlawful to require Mortgagor to make such payment, or (b) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in either such event, Mortgagee may elect, by notice in writing given to Mortgagor, to declare all of the indebtedness secured hereby to be and become due and payable in full, thirty (30) days from the giving of such notice.

1.26. Mortgagor's Waivers. To the full extent permitted by law, Mortgagor agrees that Mortgagor shall not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, moratorium or extension, or any law now or hereafter in force providing for the reinstatement of the indebtedness secured hereby prior to any sale of the Property to be made pursuant to any provisions contained herein or prior to the entering of any decree, judgment or order of any court of competent jurisdiction, or any right under any statute to redeem all or any part of the Property so sold. To the full extent permitted by law, Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the exemption of homestead or other exemption under any federal, state or local law now or hereafter in effect, the administration of estates of decedents or, any other matters whatsoever to defeat, reduce or affect the right of Mortgagee under the terms of this Mortgage to a sale of the Property, for the collection of the secured indebtedness without

any nor or different resort for collection, or the right of Mortgagee under the terms of this Mortgage to the payment of the indebtedness secured hereby out of the proceeds of sale of the Property in preference to every other claimant whatever. Mortgagor, for Mortgagor and Mortgagor's successors and assigns, and for any and all persons ever claiming any interest in the Property, to the full extent permitted by law, hereby knowingly, intentionally and voluntarily with and upon the advice of competent counsel waives, releases, relinquishes and forever forgoes: (a) all rights of valuation, appraisal, stay of execution, reinstatement and notice of election or intention to mature or declare due the secured indebtedness (except such notices as are specifically provided for herein); (b) all right to a marshaling of the assets of Mortgagor, including the Property, to a sale in the inverse order of alienation, or to direct the order in which any of the Property shall be sold in the event of foreclosure of the liens and security interests hereby created and agrees that any court having jurisdiction to foreclose such liens and security interests may order the Property sold as an entirety; (c) all rights and periods of redemption provided under applicable law; and (d) all present and future statutes of limitations as a defense to any action to enforce the provisions of this Mortgage or to collect any of the indebtedness secured hereby to the fullest extent permitted by law and agrees that it shall not solicit or aid the solicitation of the filing of any Petition (as hereinafter defined) against Mortgagor, whether acting on its own behalf or on behalf of any other party. Without limiting the generality of the foregoing, Mortgagor shall not (i) provide information regarding the identity of creditors or the nature of creditors claims to any third party unless compelled to do so by order of a court of competent jurisdiction or by regulation promulgated by a governmental agency; or (ii) pay the legal fees or expenses of any creditor or of interest holder in Mortgage with respect to any matter whatsoever.

1.27. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) MORTGAGOR, TO 'I HJ,' FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, (z) SUBMITS TO PERSONAL JURISDICTION IN THE COMMONWEALTH OF PENNSYLVANIA OVER ANY SUIT, ACTION OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THE NOTE, THIS MORTGAGE OR ANY OTHER OF THE LOAN DOCUMENTS, (13) AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING. MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN PHILADELPHIA COUNTY, PENNSYLVANIA, (iii) SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND, (IV) AGREES THAT IT WILL NOT BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF MORTGAGEE TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM). MORTGAGOR, TO THE FULL EXTENT PERMITTED BY LAW, FURTHER CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO MORTGAGOR AT THE ADDRESS FOR NOTICES DESCRIBED IN SECTION 4.4 HEREOF, AND CONSENTS AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE IN EVERY RESPECT VALID AND EFFECTIVE SERVICE (BUT NOTHING HEREIN SHALL AFFECT THE

VALIDITY OR EFFECTIVENESS OF PROCESS SERVED IN ANY OTHER MANNER PERATTED BY LAW).

(b) MORTGAGOR, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON TJTE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE INDEBTEDNESS SECURED HEREBY OR ANY CONDUCT, ACT OR OMISSION OF MORTGAGEE OR MORTGAGOR, OR ANY OF THEIR DIRECTORS, OFFICERS, PARTNERS, MANAGERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH MORTGAGEE OR MORTGAGOR, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

1.28. Contractual Statute of Limitations. Mortgagor hereby agrees that any claim or cause of action by Mortgagor against Mortgagee, or any of Mortgagee's directors, officers, employees, agents, accountants or attorneys, based upon, arising from or relating to the indebtedness secured hereby, or any other matter, cause or thing whatsoever, whether or not relating thereto, occurred, done, omitted or suffered to be done by Mortgagee or by Mortgagee's directors, officers, employees, agents, accountants or attorneys, whether sounding in contract or in tort or otherwise, shall be barred unless asserted by Mortgagor by the commencement of an action or proceeding in a court of competent jurisdiction by the filing of a complaint within one (1) year after Mortgagor first acquires or reasonably should have acquired knowledge of the first act, occurrence or omission upon- which such claim or cause of action, or any part thereof, is based and service of a summons and complaint on an officer of Mortgagee or any other person authorized to accept service of process on behalf of Mortgagee, within thirty (30) days thereafter. Mortgagor. agrees that such one (1) year period of time is reasonable and sufficient time for a borrower to investigate and act upon any such claim or cause of action. The one (1) year period provided herein shall not be waived, tolled or extended except by the specific written agreement of Mortgagee. This provision shall survive any termination of this Mortgage or any of the other Loan Documents.

1.29. Management. The management of the Property shall be by either: (a) Mortgagor or an entity affiliated with Mortgagor approved by Mortgagee for so long as Mortgagor or said affiliated entity is managing the Property in a first class manner; or (b) a professional property management company approved by Mortgagee. Such management by an affiliated entity or a professional property management. company shall be pursuant to a written agreement approved by Mortgagee. Thor Equities LLC has been approved by Mortgagee as an acceptable property manager and the Asset Management Agreement dated on or about the date hereof between Thor Equities, LLC has been approved by Mortgagee. In no event shall any manager be removed or replaced or the terms of any management agreement modified or amended without the prior written consent of Mortgagee. In the event of default hereunder or under any management contract then in effect, which default is not cured within any applicable grace or cure period, Mortgagee shall have the right to terminate, or to direct Mortgagor to terminate, such management contract upon thirty (30) days' notice and to retain, or to direct Mortgagor to retain, a new management agent approved by Mortgagee. All Rents and Profits generated by or derived

From the Property shall first be utilized solely for current expenses directly attributable to the own hip and operation of the Property, including, without limitation, current expenses relating to Mortgagor's liabilities and obligations with respect to this Mortgage and the other Loan Documents, and none of the Rents and Profits generated by or derived from the Property shall be diverted by Mortgagor and utilized for any other purposes unless all such current expenses attributable to the ownership and operation of the Property have been fully paid and satisfied.

1.30. Hazardous Materials and Environmental Concerns.

(a) Mortgagor hereby represents and warrants to Mortgagee, after due inquiry and investigation, that, as of the date hereof, except as disclosed iii that certain Phase I Environmental Site Assessment prepared by ConTech Services, Inc. dated April 24, 2003 and that certain review of same prepared by Certified Environments, Inc. and dated May 1, 2003 (the foregoing are, collectively, the "Environmental Report"): (1) the Property is in full compliance with, and to the best of Mortgagor's knowledge, information and belief, the Property has been in full compliance with all local, state or federal laws, rules and regulations pertaining to environmental regulation, contamination, remediation or human health or safety (including the regulation or remediation of Hazardous Substances as defined below) (collectively, "Environmental Laws"), all as amended; (ii) no hazardous, toxic or harmful substances, wastes, materials, pollutants or contaminants (including, without limitation, asbestos, polychlorinated biphenyls, petroleum products, radon, lead-based paint, flammable explosives, radioactive materials, infectious substances or raw materials which may include hazardous constituents) or any other substances or materials which are included under or regulated by Environmental Laws (collectively, "Hazardous Substances") are located on or have been handled, manufactured, generated, stored, processed, transported to or from, or disposed of on or Released or discharged from the Property (including soil and groundwater beneath the Property) except for those substances used by Mortgagor in the ordinary course of its business and in compliance with all Environmental Laws; (iii) the Property is not subject to any private or governmental lien or judicial, administrative or other notice or action relating to Hazardous Substances or noncompliance with Environmental Laws, nor is Mortgagor aware of any basis for such lien,(,) notice or action; (iv) there are no underground storage tanks or other underground storage receptacles (whether active or abandoned) used to store Hazardous Substances on the Property; (v) Mortgagor has received no notice of, and to the best of Mortgagor's knowledge and belief, there does not exist any investigation, action, proceeding or claim by any agency, authority or unit of government or by any third party which could result in any liability, penalty, sanction or judgment under any Environmental Laws with respect to any condition, use or operation of the Property, nor does Mortgagor know of any basis for such investigation, action, proceeding or claim; (vi) Mortgagor has received no notice that, and to the best of Mortgagor's knowledge and belief, there has been no claim by any party that, any use, operation or condition of the Property has caused any nuisance, trespass or any other liability or adverse condition on any other property, nor does Mortgagor know of any basis for such notice or claim; and (vii) there are no present environmental conditions or events or, to the best of Mortgagor's knowledge, past environmental conditions or events on or near the Property that could be reasonably anticipated to materially adversely affect the value of the Property.

(b) Mortgagor shall keep or cause the Property to be kept free from Hazardous Substances (except those substances used by Mortgagor in the ordinary course of its business and

in compliance with all Environmental Laws) and in full compliance with all Environmental Laws, shall not install or use any underground storage tanks, shall expressly prohibit the use, generation, handling, storage, production, processing and disposal of Hazardous Substances by all tenants (except those substances used by tenants in the ordinary course of their activities and in compliance with all Environmental Laws), invitees and trespassers, and, without limiting the generality of the foregoing, during the term of this Mortgage, shall not install in the Improvements or permit to be installed in the Improvements asbestos or any substance containing asbestos. If required by Mortgagee or under any Environmental Law, Mortgagor shall maintain an Operations and Maintenance Program ("O&M Program") for the management of asbestos, lead-based paint, radon or any other Hazardous Substances at the Property.

(c) Mortgagor shall promptly notify Mortgagee if Mortgagor shall become aware of (i) any Release or threatened. Release of Hazardous Substances at, on, under, from, or affecting or threatening to affect the Property (except those substances used by Mortgagor or tenants in the ordinary course of their business or activities, respectively, and in compliance with all Environmental Laws), (ii) any lien or filing of lien, action or notice affecting or threatening to affect the Property or Mortgagor resulting from any violation or alleged violation of Environmental Law, (iii) any investigation, inquiry or proceeding concerning Mortgagor or the Property pursuant to any Environmental Law; or otherwise relating to Hazardous Substances, or (iv) any occurrence, condition or state of facts which would render any representation or warranty in this Section incorrect in any respect if made at the time of such discovery. Further, immediately upon receipt of the same, Mortgagor shall deliver to Mortgagee copies of any and all orders, notices, permits, applications, reports, and other communications, documents and instruments pertaining to the actual, alleged or potential non-compliance with any Environmental Laws in connection with the Property or presence or existence of any Hazardous Substances at, on, about, under, within, near or in connection with the Property (except those substances used in the ordinary course of its business and in compliance with all Environmental Laws). Mortgagor shall, promptly and when and as required, at Mortgagor's sole cost and expense, take all actions as shall be necessary or advisable for compliance with the terms of this Section 1.30 or for the remediation of any and all portions of the Property or other affected property, including, without limitation, all investigative, monitoring, removal, containment, remedial and response actions in accordance with all applicable Environmental Laws (and in all events in a manner satisfactory to Mortgagee), and shall further pay or cause to be paid, at no expense to Mortgagee, all remediation, response, administrative and enforcement costs of applicable governmental agencies which may be asserted against the Property. In the event Mortgagor fails to do so (i) Mortgagee may, but shall not be obligated to, undertake remediation at the Property or other affected property necessary to bring the Property into conformance with the terms of Environmental Laws, and (ii) Mortgagor hereby grants to Mortgagee and its agents and employees access to the Property and a license to do all things Mortgagee shall deem necessary to bring the Property into conformance with Environmental Laws. Any and all costs and expenses reasonably incurred by Mortgagee in connection therewith, together with interest thereon at the Default Interest Rate from the date incurred by Mortgagee until actually paid by Mortgagor, shall be immediately paid by Mortgagor on demand and shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note. MORTGAGOR COVENANTS AND AGREES, AT MORTGAGOR'S SOLE COST AND EXPENSE, TO INDEMNIFY, DEFEND (AT TRIAL AND APPELLATE LEVELS, AND WITH ATTORNEYS, CONSULTANTS AND

EXPERTS ACCEPTABLE TO MORTGAGEE), AND HOLD MORTGAGEE HARMLESS FROM AND AGAINST ANY AND ALL LIENS, DAMAGES, LOSSES, LIABILITIES, OBLIGATIONS, SETTLEMENT PAYMENTS, PENALTIES, ASSESSMENTS, CITATIONS, DIRECTIVES, CLAIMS, LITIGATION, DEMANDS, DEFENSES, JUDGMENTS, SUITS, PROCEEDINGS, COSTS, DISBURSEMENTS AND EXPENSES OF ANY KIND OR OF ANY NATURE WHATSOEVER (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS', CONSULTANTS' AND EXPERTS' FEES AND DISBURSEMENTS ACTUALLY INCURRED IN INVESTIGATING, DEFENDING, SETTLING OR PROSECUTING ANY CLAIM, LITIGATION OR PROCEEDING) WHICH MAY AT ANY TIME BE IMPOSED UPON, INCURRED BY OR ASSERTED OR AWARDED AGAINST MORTGAGEE OR THE PROPERTY, AND ARISING DIRECTLY OR INDIRECTLY FROM OR OUT OF: (i) THE PRESENCE, RELEASE OR THREAT OF RELEASE OF ANY HAZARDOUS SUBSTANCES ON, IN, UNDER, AFFECTING OR THREATENING TO AFFECT ALL OR ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS, REGARDLESS OF WHETHER OR NOT CAUSED BY OR WITHIN THE CONTROL OF MORTGAGOR; (ii) THE VIOLATION OF ANY ENVIRONMENTAL LAWS RELATING TO, AFFECTING OR THREATENING TO AFFECT THE PROPERTY, WHETHER OR NOT CAUSED BY OR WITHIN THE CONTROL OF MORTGAGOR; (iii) THE FAILURE BY MORTGAGOR TO COMPLY FULLY WITH THE TERMS AND CONDITIONS OF THIS SECTION 1.30; (iv) THE BREACH OF ANY REPRESENTATION OR WARRANTY CONTAINED IN THIS SECTION 1.30; OR (v) THE ENFORCEMENT OF THIS, SECTION 1.30, INCLUDING, WITHOUT LIMITATION, THE COST OF ASSESSMENT, CONTAINMENT AND/OR REMOVAL OF ANY AND ALL HAZARDOUS SUBSTANCES ON AND/OR FROM ALL OR ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS, THE COST OF ANY ACTIONS TAKEN IN RESPONSE TO THE PRESENCE, RELEASE OR THREAT OF RELEASE OF ANY HAZARDOUS SUBSTANCES ON, IN, UNDER OR AFFECTING ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS -TO PREVENT OR MINIMIZE SUCH RELEASE OR THREAT OF RELEASE SO THAT IT DOES NOT MIGRATE OR OTHERWISE CAUSE OR THREATEN DANGER TO PRESENT OR FUTURE PUBLIC HEALTH, SAFETY, WELFARE OR THE ENVIRONMENT, AND COSTS INCURRED TO COMPLY WITH THE ENVIRONMENTAL LAWS IN CONNECTION WITH ALL OR ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS. THE INDEMNITY SET FORTH IN THIS SECTION 1.30(c) SHALL ALSO INCLUDE ANY DIMINUTION IN THE VALUE OF THE SECURITY AFFORDED BY THE PROPERTY OR ANY FUTURE REDUCTION IN THE SALES PRICE OF THE PROPERTY BY REASON OF ANY MATTER SET FORTH IN THIS SECTION 1.30(c), AND ANY AND ALL LIENS, DAMAGES, LOSSES, LIABILITIES, OBLIGATIONS, SETTLEMENT PAYMENTS, PENALTIES, ASSESSMENTS, CITATIONS, DIRECTIVES, CLAIMS, LITIGATION, DEMANDS, DEFENSES, JUDGMENTS, SUITS, PROCEEDINGS, COSTS, DISBURSEMENTS OR EXPENSES OF ANY KIND OR OF ANY NATURE WHATSOEVER ARISING OUT OF OR RELATING TO INJURY OR DEATH DUE TO EXPOSURE FROM HAZARDOUS SUBSTANCES THAT MAY BE PRESENT OR RELEASED AT, ON, UNDER OR FROM THE PROPERTY. MORTGAGEE'S RIGHTS UNDER THIS SECTION SHALL SURVIVE PAYMENT IN FULL OF THE INDEBTEDNESS SECURED HEREBY AND SHALL BE IN ADDITION TO ALL OTHER RIGHTS OF

MORTGAGEE UNDER THIS MORTGAGE, THE NOTE AND THE OTHER LOAN DOCUMENTS.

(d) Upon Mortgagee's request, at any time after the occurrence of a default hereunder or at such other time as Mortgagee has reasonable grounds to believe that Hazardous Substances are or have been handled, generated, stored, processed, transported to or from, or released or discharged from or disposed of on or around the Property (other than in the normal course of Mortgagor's or the tenants' business or activities, respectively, and in compliance with all Environmental Laws and other than items disclosed in the Environmental Report) or that Mortgagor, any tenant or the Property may be in violation of Environmental Laws, Mortgagor shall provide, at Mortgagor's sole cost and expense, an environmental site assessment or environmental compliance audit of the Property prepared by a hydrogeologist or environmental engineer or other appropriate consultant approved by Mortgagee to determine whether there has been a Release or threatened Release of Hazardous Substances at, on, under or from the Property onto adjoining properties, and if the Property is in full compliance with Environmental Laws (including asbestos-containing material or lead-based paint). If Mortgagor fails to provide such assessment or audit within thirty (30) days after such request, Mortgagee may order the same, and Mortgagor hereby grants to Mortgagee and its employees and agents access to the Property and a license to undertake such assessment or audit. The cost of such assessment or audit, together with interest thereon at the Default Interest Rate (as defined in the Note) from the date incurred by Mortgagee until actually paid by Mortgagor, shall be immediately paid by Mortgagor on demand and shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note.

(e) Without limiting the foregoing, Mortgagee and its authorized representatives may, during normal business hours and at its own expense, inspect the Property and Mortgagor's records related thereto for the purpose of determining compliance with Environmental Laws and the terms and conditions of this Section 1.30.

(f) As used herein, the term "Release" shall include, without limitation, any intentional or unintentional placing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, discarding or abandoning of any Hazardous Substance.

(g) Prior to any demolition or renovation being performed at the Property, Mortgagor shall cause a comprehensive survey of asbestos-containing materials to be conducted by a reputable environmental consultant and shall follow and observe all recommendations of such consultant with respect to the handling of such materials.

(h) Mortgagor shall not make and shall not permit any modifications to be made to that certain Agreement dated April, 29, 1992 made by and between Mobil Oil corporation ("Mobil") and The Shops Partnership, Ltd. (the "Mobil Indemnity") without Mortgagee's prior written consent, which consent Mortgagee shall not unreasonably withhold.

(i) Mortgagor shall not sign the "Release" (as such term is defined in the Mobil Indemnity) without Mortgagee's prior written consent, which consent Mortgagee shall not unreasonably withhold.

(j) Mortgagor covenants and agrees that it shall use commercially reasonable efforts to cause Mobil to timely submit to the Pennsylvania Department of Environmental Protection (the PADEP,") a Remedial Action Completion Report (and any amendments thereto requested by the PAEDP) and obtain the approval by the PADEP of such Remedial Action Completion Report within ninety (90) days after the date hereof (but, as long as Mortgagor is using commercially reasonable efforts to cause Mobil to take such actions, the failure to obtain such final approval by the PADEP shall not constitute an Event of Default hereunder). Mortgagor shall use commercially reasonable efforts to obtain and provide to Mortgagee a copy of the final Remedial Action Completion Report and a copy of the final approval by the PADEP of same.

1.31. INDEMNIFICATION; SUBROGATION.

(a) MORTGAGOR SHALL INDEMNIFY, DEFEND AND HOLD MORTGAGEE HARMLESS AGAINST: (i) ANY AND ALL CLAIMS FOR BROKERAGE, LEASING, FINDER'S OR SIMILAR FEES WHICH MAY BE MADE RELATING TO THE PROPERTY OR THE SECURED INDEBTEDNESS, (ii) ANY AND ALL LIABILITY, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, CLAIMS, ACTIONS, SUITS, LIENS, CHARGES, ENCUMBRANCES, COSTS AND EXPENSES (INCLUDING MORTGAGEE'S ATTORNEYS' FEES, TOGETHER WITH APPELLATE COUNSEL FEES, IF ANY) OF WHATEVER KIND OR NATURE WHICH MAY BE ASSERTED AGAINST, IMPOSED ON OR INCURRED BY MORTGAGEE UNDER ANY LEASE OR OCCUPANCY AGREEMENT, FOR ANY LOSS ARISING FROM A FAILURE OR INABILITY TO COLLECT RENTS AND PROFITS OR IN CONNECTION WITH THE SECURED INDEBTEDNESS, THIS MORTGAGE, THE PROPERTY, OR ANY PART THEREOF, OR THE EXERCISE BY MORTGAGEE OF ANY RIGHTS OR REMEDIES GRANTED TO IT UNDER THIS MORTGAGE, AND ANY DEFAULT UNDER THIS MORTGAGE, (iii) ANY LIENS (WHETHER JUDGMENTS, MECHANICS', MATERIALMEN'S OR OTHERWISE), CHARGES AND ENCUMBRANCES FILED AGAINST THE PROPERTY, AND (iv) ANY CLAIMS AND DEMANDS FOR DAMAGES OR INJURY, INCLUDING CLAIMS FOR PROPERTY DAMAGE, PERSONAL INJURY OR WRONGFUL DEATH, ARISING OUT OF OR IN CONNECTION WITH ANY ACCIDENT OR FIRE OR OTHER CASUALTY ON THE REAL ESTATE OR THE IMPROVEMENTS OR ANY NUISANCE OR TRESPASS MADE OR SUFFERED THEREON, INCLUDING, IN ANY CASE, ATTORNEY'S FEES, COSTS AND EXPENSES AS AFORESAID, WHETHER AT PRETRIAL, TRIAL OR APPELLATE LEVEL FOR ANY CIVIL, CRIMINAL OR ADMINISTRATIVE PROCEEDINGS. SHOULD MORTGAGEE INCUR ANY LIABILITY UNDER THIS MORTGAGE OR ANY OF THE OTHER LOAN DOCUMENTS, THE AMOUNT THEREOF, INCLUDING, WITHOUT LIMITATION, COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, TOGETHER WITH INTEREST THEREON AT THE DEFAULT INTEREST RATE FROM THE DATE INCURRED BY MORTGAGEE UNTIL ACTUALLY PAID BY MORTGAGOR, SHALL BE IMMEDIATELY DUE AND PAYABLE TO MORTGAGEE BY MORTGAGOR ON DEMAND AND SHALL BE SECURED HEREBY AND BY ALL OF THE OTHER LOAN DOCUMENTS SECURING ALL OR ANY PART OF THE INDEBTEDNESS EVIDENCED BY THE NOTE. HOWEVER, NOTHING HEREIN SHALL BE CONSTRUED TO OBLIGATE MORTGAGOR TO INDEMNIFY, DEFEND AND HOLD HARMLESS MORTGAGEE FROM AND - AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS.

LOSES, DAMAGES, PENALTIES, CLAIMS, ACTIONS, SUITS, COSTS AND EXPENSES ENACTED AGAINST, IMPOSED ON OR INCURRED BY MORTGAGEE BY REASON OF MORTGAGEE'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. THIS INDEMNITY SHALL SURVIVE PAYMENT IN FULL OF THE INDEBTEDNESS SECURED HEREBY.

(b) MORTGAGEE MAY ENGAGE THE SERVICES OF ATTORNEYS IF IT IS MADE A PARTY DEFENDANT TO ANY LITIGATION (OR THREATENED ACTION OR CLAIM) OR TO ENFORCE THE TERMS OF THIS MORTGAGE OR TO PROTECT ITS RIGHTS HEREUNDER, AND IN THE EVENT OF ANY SUCH ENGAGEMENT, MORTGAGOR SHALL PAY MORTGAGEE'S ATTORNEYS' FEES (TOGETHER WITH REASONABLE APPELLATE COUNSEL FEES, IF ANY), CONSULTANTS' FEES, EXPERTS' FEES, AND EXPENSES REASONABLY. INCURRED BY MORTGAGEE, WHETHER OR NOT SUCH ACTION IS ACTUALLY COMMENCED AGAINST MORTGAGOR. ALL REFERENCES TO "ATTORNEYS" IN THIS SUBSECTION AND ELSEWHERE IN THIS MORTGAGE SHALL INCLUDE WITHOUT LIMITATION ANY ATTORNEY OR LAW FIRM ENGAGED BY MORTGAGEE AND MORTGAGEE'S INHOUSE COUNSEL, AND ALL REFERENCES TO "FEES AND EXPENSES" IN THIS SUBSECTION AND ELSEWHERE IN THIS MORTGAGE SHALL INCLUDE WITHOUT LIMITATION ANY FEES OF SUCH ATTORNEY OR LAW FIRM AND ANY ALLOCATION CHARGES AND ALLOCATION COSTS OF MORTGAGEE'S IN-HOUSE COUNSEL.

(c) A WAIVER OF SUBROGATION SHALL BE OBTAINED BY MORTGAGOR FROM ITS INSURANCE CARRIER AND, CONSEQUENTLY, MORTGAGOR WAIVES ANY AND ALL RIGHT TO CLAIM OR RECOVER AGAINST MORTGAGEE, ITS OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES, FOR LOSS OF OR DAMAGE TO MORTGAGOR, THE PROPERTY, MORTGAGOR'S PROPERTY OR THE PROPERTY OF OTHERS UNDER MORTGAGOR'S CONTROL FROM ANY CAUSE INSURED AGAINST OR REQUIRED TO BE INSURED AGAINST BY THE PROVISIONS OF THIS MORTGAGE.

1.32. Covenants with Respect to Indebtedness; Operations and Fundamental Changes of Mortgagor. Mortgagor represents, warrants and covenants as of the date hereof and until such time as the indebtedness secured hereby is paid in full, that Mortgagor:

(a) does not own and will not own any encumbered asset other than (1) the Property, and (ii) incidental personal property necessary for the operation of the Property;

(b) is not engaged and will not engage in any business other than the ownership, management and operation of the Property;

(c) will not enter into any contract or agreement with any general partner, principal, member, manager or affiliate of Mortgagor or any affiliate of any such general partner, principal, manager or member of Mortgagor, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than an affiliate;

(d) has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the secured indebtedness, and (ii) unsecured trade and operational debt incurred in the ordinary course of business not outstanding for more than sixty (60) days with trade creditors and in amounts as are normal and reasonable under the circumstances, but, in no event, to exceed \$315,000.00 in the aggregate; no debt whatsoever may be secured (senior, subordinate or pari passu) by the Property, except the Indebtedness;

(e) has not made and will not make any loans or advances to any third party (including any general partner, principal, member, manager or affiliate of Mortgagor, or any guarantor);

(f) is and will be solvent and pay its debts from its assets as the same shall become due;

(g) has done or caused to be done and will do all things necessary to preserve its existence and corporate, limited liability company and partnership formalities (as applicable), and will not, nor will any partner, limited or general, or member or shareholder thereof, amend, modify or otherwise change its partnership certificate, partnership agreement, certificate or articles of incorporation or organization, or by-laws or operating agreement or regulations, in a manner which adversely affects Mortgagor's, or any such partner's, member's or shareholder's existence as a single-purpose, single-asset "bankruptcy remote" entity;

(h) will conduct and operate its business as presently conducted and operated;

(i) will maintain books and records and bank accounts separate from those of its affiliates, including its general partners, principals and members;

(j) will be, and at all, times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any affiliate of Mortgagor, any constituent party of Mortgagor, any guarantor, or any affiliate of any constituent party or guarantor), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, shall not identify itself or any of its affiliates as a division or part of the other, and shall maintain and utilize a separate telephone number and separate stationery, invoices and checks from any other entity;

(k) will file its own tax returns;

(l) will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(m) will not, nor will any shareholder, principal, partner, member, manager or affiliate, seek the dissolution or winding up, in whole or in part, of Mortgagor;

(n) will not enter into any transaction of merger or consolidation, or acquire by purchase or otherwise all or substantially all of the business or assets of, or any stock or beneficial ownership of, any entity;

(o) will not commingle the funds and other assets of Mortgagor with those of any general partner, principal, member, manager or affiliate, or any other person;

(p) has and will maintain its assets in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual assets from those of any affiliate or any other person;

(q) has, and any general partner or managing member of Mortgagor has, at all times since its formation, observed all legal and customary formalities regarding its formation and will continue to observe all legal and customary formalities;

(r) does not and will not hold itself out to be responsible for the debts or obligations of any other person; and -

(s) upon the commencement of a voluntary or involuntary bankruptcy proceeding by or against Mortgagor, Mortgagor shall not seek a supplemental stay or otherwise pursuant to 11 U.S.C. 105 or any other provision of the Act, or any other debtor relief law (whether statutory, common law, case law, or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, to stay, interdict, condition, reduce or inhibit the ability of Mortgagee to enforce any rights of Mortgagee against any guarantor or indemnitor of the secured obligations or any other party liable with respect thereto by virtue of any indemnity, guaranty or otherwise.

1.33. Litigation. Mortgagor will give prompt written notice to Mortgagee of any litigation or governmental proceedings pending or threatened (in writing) against Mortgagor which might have a Material Adverse Effect

1.34. ERISA. (a) Mortgagor shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Mortgagee of any of its rights under the Note, this Mortgage or any of the other Loan Documents) to be a nonexempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

(b) Mortgagor further covenants and agrees to deliver to Mortgagee such certifications or other evidence from time to time throughout the term -of this Mortgage, as requested by Mortgagee in its sole discretion, that (i) Mortgagor is not an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(3) of ERISA; (ii) Mortgagor is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(x) Equity interests in Mortgagor are publicly offered securities within the meaning of 29 C.F.R. Section 2510.3-101(b)(2);

(y) Less than 25 percent of each outstanding class of equity interests in Mortgagor are held by "benefit plan investors" within the meaning of 29 C.F.R Section 2510.3-101(1)(2); or

(z) Mortgagor qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R Section 2510.3-101-(c) or (e) or an investment company registered under the Investment Company Act of 1940.

(c) MORTGAGOR SHALL INDEMNIFY MORTGAGEE AND DEFEND AND HOLD MORTGAGEE HARMLESS FROM AND AGAINST ALL CIVIL PENALTIES, EXCISE TAXES, OR OTHER LOSS, COST DAMAGE AND EXPENSE (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND DISBURSEMENTS AND COSTS INCURRED IN THE INVESTIGATION, DEFENSE AND SETTLEMENT OF CLAIMS AND LOSSES INCURRED IN CORRECTING ANY PROHIBITED TRANSACTION OR IN THE SALE OF A PROHIBITED LOAN, AND IN OBTAINING ANY INDIVIDUAL PROHIBITED TRANSACTION EXEMPTION UNDER ERISA THAT MAY BE REQUIRED, IN MORTGAGEE'S SOLE DISCRETION) THAT MORTGAGEE MAY INCUR, DIRECTLY OR INDIRECTLY, AS A RESULT OF A DEFAULT UNDER THIS SECTION. THIS INDEMNITY SHALL SURVIVE ANY TERMINATION, SATISFACTION OR FORECLOSURE OF THIS MORTGAGE.

1.35. Defeasance.

(a) Notwithstanding anything to the contrary contained Mortgage or the other Loan Documents, at any time after the earlier of anniversary of the date that is the "startup day," within the meaning of Section 860G(a)(9) of the Internal Revenue Code of 1986, as amended from time to time or any successor statute (the "Code"), of a "real estate mortgage investment conduit," (a "REMIC") within the meaning of Section 860D of the Code, that holds the Note and this Mortgage and (ii) four (4) years after the date hereof) (such date that is the earlier of (i) and (ii), the "Defeasance Lockout Expiration Date") and provided (unless Mortgagee shall otherwise consent, in its sole discretion) no default or Event of Default has occurred and is continuing hereunder or under any of the other Loan Documents, Mortgagor shall have the right to obtain the release of the Property (or, for a Partial Release (as defined below), the Individual Property (as defined below)) from the lien of this Mortgage and the other Loan Documents (the "Defeasance") upon the satisfaction of each of the following conditions precedent,

- i) not less than thirty (30) days prior written notice to Mortgagee specifying a regular Payment Date under the Note (the "Defeasance Election Date") on which the Defeasance Deposit (hereinafter defined) is to be made;
- ii) the remittance to Mortgagee on the related Defeasance Election Date of interest accrued and unpaid on the outstanding principal amount of the Note (or, for a Partial Release, the Adjusted Release Amount (as defined below)) to and including the Defeasance Election Date and the scheduled amortization payment due on such Defeasance Election Date, together with all other amounts then due and payable under the Note, this Mortgage and the other Loan Documents;
- iii) the irrevocable deposit with Mortgagee of an amount (the "Defeasance Deposit") of U.S. Government Securities (hereinafter defined) which

through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than the due date of any payment, cash in an amount sufficient, without reinvestment, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to Mortgagee, to pay and discharge the Scheduled Defeasance Payments (hereinafter defined); the delivery on or prior to the Defeasance Election Date to Mortgagee of:

(A) a security agreement, in form and substance satisfactory to Mortgagee, creating a first priority lien on the Defeasance Deposit (the "Defeasance Security Agreement"), which Defeasance Security Agreement shall be included within the definition of "Mortgage" for purposes of each Loan Document from and after the date of its execution;

(B) a release of the Property (or, for a Partial Release, the Individual Property) from this Mortgage, the Assignment and any TJCC Financing Statements relating thereto (for execution by Mortgagee) in a form appropriate for cancellation of such documents in the jurisdiction in which the Property (or, for a Partial Release, Individual Property) is located;

(C) a certificate of an authorized representative of Mortgagor certifying that the requirements set forth in this subparagraph (a) have been satisfied;

(D) an opinion of counsel for Mortgagor in form and substance satisfactory to Mortgagee to the effect that the Mortgagee has a perfected first priority security interest in the Defeasance Deposit;

(E) an opinion of counsel for Mortgagee, prepared and delivered by the servicer at Mortgagor's reasonable expense, stating that any trust formed as a REMIC in connection with any Secondary Market Transaction (as hereinafter defined) will not fail to maintain its status as a REMIC as a result of such Defeasance;

(F) in the event of a Partial Release (as defined below), Mortgagee, at Mortgagor's expense, shall prepare all necessary additional documents to modify this Mortgage (if deemed necessary by Mortgagee or if required by the law of the state in which the Property is located) and issue two substitute notes for the Note, one executed by the Released Party (as defined below) having a principal balance equal to the defeased portion of the original Note (the "Defeased Note") and the other note executed by the other entity comprising Mortgage and having a principal balance equal to the undefeased portion of the original Note (the

"Unredeemed Note"). The Redeemed Note and the Unredeemed Note shall have identical terms as the Note except for the principal balance and the splitting of the two makers of the original Note, as set forth above. The principal balance of the Redeemed Note shall equal the Adjusted Release Amount (as defined below) for the Individual Property, that is the subject of the Partial Release; and

(G) such other certificates, documents or instruments as Mortgagee may reasonably request; and

- v) the payment by Mortgagor to Mortgagee of all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred or anticipated to be incurred by Mortgagee in connection with the release of the Property (or, for a Partial Release, the Individual Property) from the lien of this Mortgage and the other Loan Documents pursuant to this Section 1.35 including, without limitation, Mortgagee's determination of whether Mortgagor has satisfied all of the related conditions and requirements set forth in this Section 1.35.

(b) Upon compliance with the requirements of subparagraph (a) above, the Property (or, for a Partial Release, the Individual Property) shall be released from the lien of this Mortgage, the Assignment and any UCC Financing Statements related thereto, the obligations hereunder and under the other Loan Documents with respect to the Property (or, for a Partial Release, the Individual Property) shall no longer be applicable and the Defeasance Deposit shall be the sole source of collateral securing the Note (or, for a Partial Release, the Redeemed Note), Mortgagee shall apply the Defeasance Deposit and the payments received therefrom to the payment of all scheduled principal and interest payments (the "Scheduled Defeasance Payments") due on all successive Payment Dates under the Note (or, for a Partial Release, the Redeemed Note) after the Defeasance Election Date and the payment due on the final maturity date of the Note (or, for a partial release, the Redeemed Note). Mortgagor (or for a partial release, the Released Party), pursuant to the Defeasance Security Agreement or other appropriate document, shall direct that the payments received from the Defeasance Deposit shall be made directly to Mortgagee and applied to satisfy the obligations of Mortgagor (or, for a Partial Release, the Released Party) under the Note (or, for a Partial Release, the Redeemed Note). In connection with such release, if Mortgagor shall continue to own any assets other than the Defeasance Deposit, and in all events in the case of a Partial Release, Mortgagor (or, for a Partial Release, the Released Party) shall establish or designate a single-purpose, bankruptcy-remote successor entity acceptable to Mortgagee (the "Successor Trustor"), with respect to which a nonconsolidation opinion satisfactory in form and substance to Mortgagee has been delivered to Mortgagee (if such a nonconsolidation opinion was required of Mortgagor in connection with the origination of the indebtedness secured hereby) in which case Mortgagor (or, for a Partial Release, the Released Party) shall transfer and assign to the Successor Trustor all obligations, rights and duties under the Note (or, for a Partial Release, the Redeemed Note) and the Defeasance Security Agreement, together with the pledged Defeasance Deposit. The Successor Trustor shall assume the obligations of Mortgagor (or, for a Partial Release, the Released Party) under the Note (or, for a Partial Release, the Redeemed Note) and the Defeasance Security Agreement, and Mortgagor (or, for a Partial Release, the Released Party) shall be relieved of its

obligations hereunder and thereunder. Mortgagor (or, for a Partial Release, the Released Party) shall pay One Thousand and No/100 Dollars (\$1,000.00) to the Successor Trustor as consideration for assuming such Mortgagor obligations.

(c) As used herein, the term "U.S. Government Securities" shall mean securities that are direct obligations of the United States of America for the full and timely payment of which its full faith and credit is pledged.

(d) On and after the Defeasance Lockout Expiration Date, Mortgagor may obtain the release of either (but not both) the 8400 Germantown parcel or the 8625 Germantown parcel (each, an "Individual Property") from the lien of this Mortgage and the other Loan Documents and the release of either (but not both) Thor Chestnut Hill, LP's or Thor Chestnut Hill II, LP's obligations (whichever is the owner of the released parcel, the "Released Party") under the Loan Documents (other than those expressly stated to survive) (collectively, a "Partial Release") upon the satisfaction of each of the following conditions:

(i) No Event of Default shall have occurred and be continuing;

(ii) Mortgagor shall submit, or cause to be submitted, to Mortgagee, not less than twenty (20) days prior to the date requested for such release, a release of lien (and related Loan Documents) for such Individual Property for execution by Mortgagee. Such release shall be in a form appropriate in each jurisdiction in which the Individual Property is located and that contains standard provisions, if any, protecting the rights of the releasing lender. In addition, Mortgagor shall provide all other documentation Mortgagee reasonably requires to be delivered by Mortgagor in connection with such release, together with an Officer's Certificate (as defined below) certifying that such documentation (i) is in compliance with all Legal Requirements (as defined below), (ii) will effect such release in accordance with the terms of this Mortgage. and (iii) will not impair or otherwise adversely affect the liens, security interests and other rights of Lender under the Loan Documents not being released (as to the party to the Loan Documents and Property subject to the Loan Documents not being released);

(iii) After giving effect to such release, the Debt Service Coverage Ratio (as defined in the Cash Management Agreement) for the Individual Property that will remain subject to the lien of this Mortgage shall be equal to or greater than 1.60 to 1.0, such calculation to be based on pro-forma Gross Income from Operations (as defined in the Cash Management Agreement) on an annualized basis and Underwritten Operating Expenses (as defined in the Cash Management Agreement) for the twelve (12) full calendar months immediately preceding the release of the Individual Property (for purposes of this calculation, pro-form Gross Income from Operations shall be based on the then-current rent roll for the Property and, in addition to the normal limitations contained within Gross Income from Operations, shall only include income from tenants that are in place and will remain in place and paying rent during the entire succeeding twelve (12) month period and Underwritten Operating Expenses shall be the Underwritten Operating Expenses for the prior twelve full calendar months but

reduced to reflect cost reductions after release of the Individual Property, all of the foregoing in this parenthetical as reasonably underwritten and determined by Mortgagee);

(iv) The Individual Property to be released shall be conveyed to a person other than Mortgagor or any of its affiliates;

(v) On or before the date that is twenty (20) days prior to the requested release date, Mortgagor shall provide Mortgagee with all information reasonably required to calculate the Debt Service Coverage Ratio; and

(vi) The Loan shall be defeased in accordance with the provisions above in the amount of the Adjusted Release Amount (as defined below) and Mortgagor shall pay to Mortgagee all other sutras due and payable under this Mortgage in connection with such Defeasance.

(vii) As used herein, the following terms shall have the following meanings-

"Officer's Certificate" shall mean a certificate delivered to Mortgagee by Mortgagor which is signed by an authorized senior officer of the general partner or managing member of each entity comprising Mortgagor, as applicable.

"Legal Requirements" shall mean shall mean, with respect to each Individual Property, all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of governmental authorities affecting such Individual Property or any part thereof, or the construction, use, alteration or operation thereof, or any part thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Mortgagor, at any time in force affecting such Individual Property or any part thereof, including, without limitation, any which may (a) require repairs, modifications or alterations in or to such Individual Property or any part thereof, or (b) in any way limit the use and enjoyment thereof.

"Adjusted Release Amount" shall mean (i) for 8400 Germantown, \$8,062,500.00 and (ii) for 8625 Germantown, \$5,062,500.00.

[NO FURTHER TEXT ON THIS PAGE]

ARTICLE II

EVENTS OF DEFAULT

2.1. Events of Default. The occurrence of any of the following events shall be a default hereunder (each, an "Event of Default"):

(a) Mortgagor fails to make any payment under the Note when due, subject to any grace period set forth therein.

(b) Mortgagor fails to punctually perform any covenant, agreement, obligation, term or condition hereof which requires payment of any money to Mortgagee (except those regarding payments to be made under the Note, which failure is subject to any grace periods set forth in the Note).

(c) Mortgagor fails to provide insurance as required by Section 1.4 hereof or fails to perform any covenant, agreement obligation, term or condition set forth in Section 1.16 or Section 1.30 hereof.

(d) Mortgagor fails to perform any other covenant, agreement, obligation, term or condition set forth herein other than those otherwise described in this Section 2.1 and, to the extent such failure or default is susceptible of being cured, the continuance of such failure or default for thirty (30) days after written notice thereof from Mortgagee to Mortgagor; provided, however that if such default is susceptible of cure but such cure cannot be accomplished with reasonable diligence within said period of time, and if Mortgagor commences to cure such default promptly after receipt of notice thereof from Mortgagee, and thereafter prosecutes the curing of such default with reasonable diligence, such period of time shall be extended for such period of time as may be necessary to cure such default with reasonable diligence, but not to exceed an additional ninety (90) days.

(e) Any representation or warranty made herein, in or in connection with any application or commitment relating to the loan evidenced by the Note, or in any of the other Loan Documents to Mortgagee by Mortgagor, by any principal, managing member or general partner in Mortgagor or by any indemnitor or guarantor under any indemnity or guaranty executed in connection with the loan secured hereby is determined by Mortgagee to have been false or misleading in any material respect at the time made.

(f) There shall be a sale, conveyance, disposition, alienation, hypothecation, leasing, assignment, pledge, mortgage, granting of a security interest in or other transfer or further encumbrancing of the Property, Mortgagor or its owners, or any portion thereof or any interest therein, in violation of Section 1.13 hereof.

(g) A default occurs under any of the other Loan Documents which has not been cured within any applicable grace or cure period therein provided,

(h) Mortgagor, any principal, general partner or managing member (as applicable) in Mortgagor or any indemnitor or guarantor under any indemnity or guaranty

executed in connection with the loan secured hereby becomes insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors, shall file a petition in bankruptcy, shall voluntarily be adjudicated insolvent or bankrupt or shall admit in writing the inability to pay debts as they mature, shall petition or apply to any tribunal for or shall consent to or shall not contest the appointment of a receiver, trustee, custodian or similar officer for Mortgagor, for any such principal, general partner or managing member (as applicable) of Mortgagor or Br any such indemnitor or guarantor or for a substantial part of the assets of Mortgagor, of any such principal or general partner or managing member of Mortgagor or of any such indemnitor or guarantor, or shall commence any case, proceeding or other action under any bankruptcy, reorganization, arrangement, readjustment or debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect.

(f) A petition ("Petition") is filed or any ease, proceeding or other action is commenced against Mortgagor, against any principal, general partner or managing member of Mortgagor or against any indemnitor or guarantor under any indemnity or guaranty executed in connection with the loan secured hereby seeking to have an order for relief entered against it as debtor or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or other relief under any law relating to bankruptcy, insolvency, arrangement, reorganization, receivership or other debtor relief under any law or statute of any jurisdiction, whether now or hereafter in effect, or a court of competent jurisdiction enters an order for relief against Mortgagor, against any principal or general partner or managing member of Mortgagor or against any indemnitor or guarantor under any indemnity or guaranty executed in connection with the loan secured hereby, as debtor, or an order, judgment or decree is entered appointing, with or without the consent of Mortgagor, of any such principal or general partner or managing member of Mortgagor or of any such indemnitor or guarantor, a receiver, trustee, custodian or similar officer for Mortgagor, for any such principal or general partner or managing member of Mortgagor or for any such indemnitor or guarantor, or for any substantial part of any of the properties of Mortgagor, of any such principal, general partner or managing member of Mortgagor or of any such indemnitor or guarantor, and if any such event shall occur, such petition, case, proceeding, action, order, judgment or decree shall not be dismissed within sixty (60) days after being commenced.

(j) Mortgagor solicits or aids the solicitation of the filing of any Petition against Mortgagor including, without limitation: (i) providing information regarding the identity of creditors or the nature of creditors' claims to any third party unless compelled to do so by order of a court of competent jurisdiction or by regulation promulgated by a governmental agency; or (ii) paying the legal fees or expenses of any creditor of or interest holder in Mortgagor with respect to any matter whatsoever.

(k) The Property or any part thereof shall be taken on execution or other process of law in any action against Mortgagor.

(l) Mortgagor abandons all or a portion of the Property.

(m) The holder of any lien or security interest on the Property (without implying the consent of Mortgagee to the existence or creation of any such lien or security interest), whether superior or subordinate to this Mortgage or any of the other Loan Documents,

declares a default and such default is not cured within any applicable grace or cure period set forth in the applicable document or such holder institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

(n) The Property, or any part thereof, is subjected to actual or threatened waste or to removal, demolition or material alteration so that the value of the Property is materially diminished thereby and Mortgagee determines (in its subjective determination) that it is not adequately protected from any loss, damage or risk associated therewith.

(o) Any dissolution, termination, partial or complete liquidation, merger or consolidation of Mortgagor, any of its principals, members, or general partners.

ARTICLE III REMEDIES

3.1. Remedies Available. If there shall occur a default under this Mortgage, and such default has not been cured within any applicable grace or cure period, then this Mortgage is subject to foreclosure as provided by law and Mortgagee may, at its option and by or through a trustee, nominee, assignee or otherwise, to the fullest extent permitted by law, exercise any or all of the following rights, remedies and recourses, either successively or concurrently.

(a) Acceleration Accelerate the maturity date of the Note and declare any or all of the indebtedness secured hereby to be immediately due and payable without any presentment, demand, protest, notice or action of any kind whatever (each of which is hereby expressly waived. by Mortgagor), whereupon the same shall become immediately due and payable. Upon any such acceleration, payment of such accelerated amount shall constitute a prepayment of the principal balance of the Note and any applicable prepayment fee provided for in the Note shall then be immediately due and payable.

(b) Entry an the Property. Without in any way curing or waiving any default of Mortgagor, either in person, by agent or by court appointed receiver, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Property, or any part thereof, in its own name, without force or with such force as is permitted by law and without notice or process or with such notice or process as is required by law unless such notice and process is waivable, in which case Mortgagor hereby waives such notice and process, and do any and all acts and perform any and all work which may be desirable or necessary in Mortgagee's judgment to complete any unfinished construction on the Real Estate, to preserve and/or enhance the value, marketability or rentability of the Property, to increase the income therefrom, to manage and operate the Property or to protect the security hereof and all sums expended by Mortgagee therefor, together with interest thereon at the Default Interest Rate (as defined in the Note), shall be immediately due and payable to Mortgagee by Mortgagor on demand and shall be secured hereby and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note.

(c) Collect Rents and Profits. With or without taking possession of the Property, sue for or otherwise collect the Rents and Profits, including those past due and unpaid,

and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, all in such order as Mortgagee in its discretion may determine.

(d) Appointment of Receiver. Upon, or at any time prior or after, initiating the exercise of any power of sale, instituting any judicial foreclosure or instituting any other foreclosure of the liens and security interests provided for herein or any other legal proceedings hereunder, make application, ex parte, to a court of competent jurisdiction for appointment of a receiver for all or any part of the Property, as a matter of strict right and without notice to Mortgagor and without regard to the adequacy of the Property for the repayment of the indebtedness secured hereby or the solvency of Mortgagor or any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby irrevocably consent to such appointment, waives any and all notices of and defenses to such appointment and agrees not to oppose any application therefor by Mortgagee, but nothing herein is to be construed to deprive Mortgagee of any other right, remedy or privilege Mortgagee may now have under the law to have a receiver appointed, provided, however, that the appointment of such receiver, trustee or other appointee by virtue of any court order, statute or regulation shall not impair or in any manner prejudice the rights of Mortgagee to receive payment of the Rents and Profits pursuant to other terms and provisions of this Mortgage or the Assignment. Any such receiver shall have all of the usual powers and duties of receivers in similar cases, including, without limitation, the full power to hold, develop, rent, lease, manage, maintains operate and otherwise use or permit the use of the Property upon such terms and conditions as said receiver may deem to be prudent and reasonable under the circumstances as more fully set forth in Section 3.3 below. Such receivership shall, at the option of Mortgagee, continue until full payment of all of the indebtedness secured hereby or until title to the Property shall have passed by foreclosure sale under this Mortgage or deed in Lien of foreclosure.

(e) Foreclosure. Immediately commence an action to foreclose this Mortgage or to specifically enforce its provisions or any of the indebtedness secured hereby pursuant to the statutes in such case made and provided and sell the Property or cause the Property to be sold in accordance with the requirements and procedures provided by said statutes in a single parcel or in several parcels at the option of Mortgagee. In the event foreclosure proceedings are filed by Mortgagee, all expenses incident to such proceedings, including, but not limited to, attorneys fees and costs, shall be paid by Mortgagor and secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note, The secured indebtedness and all other obligations secured by this Mortgage, including, without limitation, interest at the Default Interest Rate, any prepayment charge, fee or premium required to be paid under the Note in order to prepay principal (to the extent permitted by applicable law), reasonable attorneys fees and any other amounts due and unpaid to Mortgagee under the Loan Documents, may be bid by Mortgagee in the event of a foreclosure sale hereunder. In the event of a judicial sale pursuant to a foreclosure decree, it is understood and agreed that Mortgagee or its assigns may become the purchaser of the Property or any part thereof

(a) Confession of Judgment. FOR THE PURPOSE OF PROCURING POSSESSION OF THE PROPERTY IN THE EVENT OF ANY DEFAULT HEREUNDER OR UNDER THE NOTE, MORTGAGOR HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD IN THE COMMONWEALTH OF

PENNSYLVANIA OR ELSEWHERE, AS ATTORNEY FOR MORTGAGOR AND ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, AND TO APPEAR FOR AND CONFESS JUDGMENT AGAINST MORTGAGOR, AGAINST ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, FOR THE RECOVERY BY MORTGAGEE OF POSSESSION OF THE PROPERTY, WITHOUT ANY STAY OF EXECUTION, FOR WHICH THIS MORTGAGE, OR A COPY THEREOF VERIFIED BY AFFIDAVIT, SHALL BE A SUFFICIENT WARRANT; AND THEREUPON A WRIT OF POSSESSION MAY BE ISSUED FORTHWITH, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER MORTGAGOR HEREBY RELEASES MORTGAGEE FROM ALL PROCEDURAL ERRORS AND DEFECTS WHATSOEVER IN ENTERING SUCH ACTION AND JUDGMENT AND IN CAUSING SUCH WRIT OR WRITS TO BE ISSUED, AND HEREBY AGREES THAT NO WRIT OF PROCEDURAL ERROR OR APPEAL SHALL BE FILED OR MADE WITH RESPECT THERETO. IF FOR ANY REASON AFTER SUCH ACTION HAS BEEN COMMENCED THE SAME SHALL BE DISCONTINUED OR POSSESSION OF THE PROPERTY SHALL REMAIN IN OR BE RESTORED TO MORTGAGOR, MORTGAGEE SHALL HAVE THE RIGHT FOR THE SAME DEFAULT OR ANY SUBSEQUENT DEFAULT TO BRING ONE OR MORE FURTHER ACTIONS- AS ABOVE PROVIDED TO RECOVER POSSESSION OF THE PROPERTY. MORTGAGEE MAY BRING SUCH ACTION IN EJECTMENT BEFORE OR AFTER THE INSTITUTION OF FORECLOSURE PROCEEDINGS UPON THIS MORTGAGE, OR AFTER JUDGMENT HEREON OR ON THE NOTE, OR AFTER A SALE OF THE PROPERTY BY THE SHERIFF.

MORTGAGOR CONFIRMS TO MORTGAGEE THAT (I) MORTGAGOR IS A BUSINESS ENTITY AND THAT ITS PRINCIPALS ARE KNOWLEDGEABLE IN BUSINESS MATTERS; (II) THE TERMS OF THIS MORTGAGE, INCLUDING THE FOREGOING WARRANT OF ATTORNEY TO CONFESS JUDGMENT, HAVE BEEN NEGOTIATED AND AGREED UPON IN A COMMERCIAL CONTEXT; AND (III) IT HAS FULLY REVIEWED THE AFORESAID WARRANT OF ATTORNEY TO CONFESS JUDGMENT WITH ITS OWN COUNSEL AND IS KNOWINGLY AND VOLUNTARILY WAIVING CERTAIN RIGHTS IT WOULD OTHERWISE POSSESS, INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO ANY NOTICE OR A HEARING PRIOR TO THE ENTRY OF JUDGMENT BY MORTGAGEE PURSUANT TO THE AFORESAID WARRANT OF ATTOY.

Initials: /s/ XXX

(f) Other. Exercise any other right or remedy available hereunder, under any of the other Loan Documents or at law or in equity.

3.2. Application of Proceeds. To the fullest extent permitted by law, the proceeds of any sale under this Mortgage shall be applied to the extent funds are so available to the following items in such order as Mortgagee in its discretion may determine:

(a) To payment of the costs, expenses and fees of taking possession of the Property, and of holding, operating, maintaining, using, leasing, repairing, improving, marketing and selling the same and of otherwise enforcing Mortgagee's right and remedies hereunder and

and the other Loan Documents, including, but not limited to, receivers fees, court costs, attorneys, accountants, appraisers, auctioneers, managers and other professional fees, title charges and transfer taxes.

(b) To payment of all sums expended by Mortgagee under the terms of any of the Loan Documents and not yet repaid, together with interest on such sums at the Default Interest Rate (as defined in the Note).

(c) To payment of the secured indebtedness and all other obligations secured by this Mortgage, including, without limitation, interest at the Default Interest Rate (as defined in the Note) and, to the extent permitted by applicable law, any prepayment fee, charge or premium required to be paid under the Note in order to prepay principal, in any order that Mortgagee chooses in its sole discretion.

(d) The remainder, if any, of such funds shall be disbursed to Mortgagor or to the person or persons legally entitled thereto.

3.3. Right and Authority of Receiver or Mortgagee in the Event of Default: Power, of Attorney. Upon the occurrence of a default hereunder, which default is not cured within any applicable grace or cure period, and entry upon the Property pursuant to Section 3.1(b) hereof or appointment of a receiver pursuant to Section 3.1(d) hereof, and under such terms and conditions as may be prudent and reasonable under the circumstances in Mortgagor's or the receiver's sole discretion, all at Mortgagor's expense, Mortgagee or said receiver, or such other persons or entities as they shall hire, direct or engage, as the case may be, may do or permit one or more of the following, successively or concurrently: (a) enter upon and take possession and control of any and all of the Property; (b) take and maintain possession of all documents, books, records, papers and accounts relating to the Property; (c) exclude Mortgagor and its agents, servants and employees wholly from the Property; (d) manage and operate the Property; (e) preserve and maintain the Property; (f) make repairs and alterations to the Property; (g) complete any construction or repair of the Improvements, with such changes, additions or modifications of the plans and specifications or intended disposition and use of the Improvements as Mortgagee may in its sole discretion deem appropriate or desirable to place the Property in such condition as will, in Mortgagee's sole discretion, make it or any part thereof readily marketable or rentable; (h) conduct a marketing or leasing program with respect to the Property, or employ a marketing or leasing agent or agents to do so, directed to the leasing or sale of the Property under such terms and conditions as Mortgagee may in its sole discretion deem appropriate or desirable; (i) employ such contractors, subcontractors, materialmen, architects, engineers, consultants, managers, brokers, marketing agents, or other employees, agents, independent contractors or professionals, as Mortgagee may in its sole discretion deem appropriate or desirable to implement and effectuate the rights and powers herein granted; (j) execute and deliver, in the name of Mortgagee as attorney-in-fact and agent of Mortgagor or in its own name as Mortgagee, such documents and instruments as are necessary or appropriate to consummate authorized transactions; (k) enter into such leases, whether of real or personal property, or tenancy agreements, under such terms and conditions as Mortgagee may in its sole discretion deem appropriate or desirable; (l) collect and receive the Rents and Profits from the Property; (m) eject tenants or repossess personal property, as provided by law, for breaches of the conditions of their leases or other agreements; (n) sue for unpaid Rents and Profits, payments, income or proceeds

in the name of Mortgagor or Mortgagee; (o) maintain actions in forcible entry and detainer, ejectment for possession and actions in distress for rent; (p) compromise or give acquittance for Rents and Profits, payments, income or proceeds that may become due; (q) delegate or assign any and all rights and powers given to Mortgagee by this Mortgage; and (r) do any acts which Mortgagee in its sole discretion deems appropriate or desirable to protect the security hereof and use such measures, legal or equitable, as Mortgagee may in its sole discretion deem appropriate or desirable to implement and effectuate the provisions of this Mortgage. This Mortgage shall constitute a direction to and full authority to any lessee, or other third party who has heretofore dealt or contracted or may hereafter deal or contract with Mortgagor or Mortgagee, at the request of Mortgagee, to pay all amounts owing under any lease, contract, concession, license or other agreement to Mortgagee without proof of the default relied upon. Any such lessee or third party is hereby irrevocably authorized to rely upon and comply with (and shall be fully protected by Mortgagor in so doing) any request, notice or demand by Mortgagee for the payment to Mortgagee of any Rents and Profits or other sums which may be or thereafter become due under its lease, contract, concession, license or other agreement, or for the performance of any undertakings under any such lease, contract, concession, license or other agreement, and shall have no right or duty to inquire whether any default under this Mortgage or under any of the other Loan Documents has actually occurred or is then existing. Mortgagor hereby constitutes and appoints Mortgagee, its assignees, successors, transferees and nominees, as Mortgagor's true and lawful attorney-in fact and agent, with full power of substitution in the Property, in Mortgagor's name, place and stead, to do or permit any one or more of the foregoing described rights, remedies, powers and authorities, successively or concurrently, and said power of attorney shall be deemed a power coupled with an interest and irrevocable so long as any indebtedness secured hereby is outstanding. Any money advanced by Mortgagee in connection with any action taken under this Section 3_3, together with interest thereon at the Default Interest Rate (as defined in the Note) from the date of making such advancement by Mortgagee until actually paid by Mortgagor, shall be a demand obligation owing by Mortgagor to Mortgagee and shall be secured by this Mortgage and by every other instrument securing the secured indebtedness.

3.4. Occupancy After Foreclosure. In the event there is a sale or sales pursuant to Section 3.1 hereof and at the time of such sale or sales, Mortgagor or Mortgagor's representatives, successors or assigns, or any other persons claiming any interest in the Property by, through or under Mortgagor (except tenants of space in the Improvements subject to leases entered into prior to the date hereof), are occupying or using the Property, or any part thereof, then, to the extent not prohibited by applicable law, each and all shall, at the option of Mortgagee or the purchaser at such sale, as the case may be, immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day-to-day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the Property occupied or used, such rental to be due daily to the purchaser. Further, to the extent permitted by applicable law, in the event the tenant fails to surrender possession of the Property upon the termination of such tenancy, the purchaser shall be entitled to institute and maintain an action for unlawful detainer of the Property in the appropriate court of the county in which the Real Estate is located.

3.5. Notice to Account Debtors. Mortgagee may, at any time after a default hereunder, which default is not cured within any applicable grace or cure period, notify the account debtors and obligors of any accounts, chattel paper, negotiable instruments or other

evidences of indebtedness to Mortgagor included in the Property to pay Mortgagee directly. Mortgagor shall at any time or from time to time upon the request of Mortgagee provide to Mortgagee a current list of all such account debtors and obligors and their addresses.

3.6. Cumulative Remedies. All remedies contained in this Mortgage are cumulative and Mortgagee shall also have all other remedies provided at law and in equity or in any other Loan Documents. Such remedies may be pursued separately, successively or concurrently at the sole subjective direction of Mortgagee and may be exercised in any order and as often as occasion therefor shall arise. No act of Mortgagee shall be construed as an election to proceed under any particular provisions of this Mortgage to the exclusion of any other provision of this Mortgage or as an election of remedies to the exclusion of any other remedy which may then or thereafter be available to Mortgagee. No delay or failure by Mortgagee to exercise any right or remedy under this Mortgage shall be construed to be a waiver of that right or remedy or of any default hereunder. Mortgagee may exercise any one or more of its rights and remedies at its option without regard to the adequacy of its security.

3.7. Payment of Expenses. Mortgagor shall pay on demand all of Mortgagee's expenses reasonably incurred in any efforts to enforce any terms of this Mortgage, whether or not any lawsuit is filed and whether or not foreclosure is commenced but not completed, including, but not limited to, reasonable legal fees and disbursements, foreclosure costs and title charges, together with interest thereon from and after the date incurred by Mortgagee until actually paid by Mortgagor at the Default Interest Rate (as defined in, the Note), and the same shall be secured by this Mortgage and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note.

ARTICLE IV

MISCELLANEOUS TERMS AND CONDITIONS

4.1. Time of Essence. Time is of the essence with respect to all provisions of this Mortgage.

4.2. Release of Mortgage. This instrument is granted upon express condition that if Mortgagor punctually pays and performs all of the obligations under and in accordance with the terms of the Loan Documents and the terms hereof, then this Mortgage and the estate granted hereby shall cease and become void, except for those provisions hereof which by their terms survive, and the Property shall become wholly clear of the liens, security interests, conveyances and assignments evidenced hereby, which shall be released by Mortgagee in due form at Mortgagor's cost. No release of this Mortgage or the lien hereof shall be valid unless executed

4.3. Action by Mortgagee. Without affecting Mortgagor's liability for the payment of any of the indebtedness secured hereby, Mortgagee may from time to time and without notice to Mortgagor: (a) release any person liable for the payment of the indebtedness secured hereby; (b) extend or modify the terms of payment of the indebtedness secured hereby; (c) accept additional real or personal property of any kind as security or alter, substitute or release any property securing the indebtedness secured hereby; (d) recover any part of the Property; (e) consent in writing to the making of any subdivision map or plat thereof; (f) join in granting any easement

therein; bb(g) join in any extension agreement of this Mortgage or any agreement subordinating the lien hereof.

4.4. Notices. Any notice, report, demand or other instrument authorized or required to be given or furnished hereunder or as required by law ("Notices") shall be in writing and shall be given as follows: (a) by hand delivery; (b) by deposit in the United States mail as first class certified mail, return receipt requested, postage paid; (c) by overnight nationwide commercial courier service; or (d) by telecopy transmission (other than for notices of default) with a confirmation copy to be delivered by duplicate notice in accordance with any of clauses (a)-(c) above, in each case, addressed to the party intended to receive the same at the following address(es):

Mortgagee: Column Financial, Inc.
Eleven Madison Avenue
9th Floor
New York, New York 10010-3629
Attention: Edmund Taylor
Telecopier: (212) 325-8106
Re: Thor / Chestnut, Philadelphia, Pennsylvania
Loan Amount: \$10,500,000
Column Loan Number: 271089

with copies to: Credit Suisse First Boston Mortgage Capital LLC
Legal & Compliance Department One Madison
Avenue New York, New York 10010
Attention: Pamela L. McCormack, Esq.
Vice President and Counsel
Telecopier: (917) 326-7805
Re: Thor I Chestnut, Philadelphia, Pennsylvania
Loan Amount: \$10,500,000
Column Loan Number: 271089

Servicer: KeyCorp Real Estate Capital Markets, Inc.
dlb/a Key Commercial Mortgage
911 Main Street, Suite 1500 Kansas
City, Missouri 64105
Attention: Diane Haislip
Telecopier: 216-357-6543
or any successor servicer of the Loan.
Re: Thor / Chestnut, Philadelphia, Pennsylvania
Loan Amount: 510,500,000
Column Loan Number: 271089

Mortgagor: Thor Chestnut Hill, L.P.

Thor Chestnut Hill II, L.P.
c/o Thor Equities, LLC
139 Fifth Avenue
New York, New York 10010
Attention: Joseph J. Sitt and Kurt Reich
Telecopier: (212) 460-9200 and (212) 460-9630

with a copy to:

Morris Missry, Esq.
Wachtel & Masyr, LLP
110 E. 59th Street
New York, New York 10022
Telecopier: (212) 371-0320

Any party may change the address to which any such Notice is to be delivered to any other address within the United States of America, by furnishing ten (10) days written notice of such change to the other parties in accordance with the provisions of this Section 4.4. All notices, demands and requests shall be effective upon personal delivery, or one (1) business day after being deposited with the private courier service, or two (2) business days after being deposited in the United States mail as required above. The inability to deliver Notices because of a changed address of which no Notice was given, or rejection or refusal to accept any Notice offered for delivery shall be deemed to be receipt of the Notice as of the date of such inability to deliver or rejection or refusal to accept delivery, Notice for either party may be given by its respective counsel. Additionally, notice from Mortgagee may also be given by the Servicer.

4.5. Successors and Assigns. The terms, provisions, indemnities, covenants and conditions hereof shall be binding upon Mortgagor and the successors and assigns of Mortgagor, including all successors in interest in and to all or any part of the Property, and shall inure to the benefit of Mortgagee, and its successors and assigns and shall constitute covenants running with the land. If Mortgagor consists of more than one person or entity, each will be jointly and severally liable to perform the obligations of Mortgagor.

4.6. Severability, A determination that any provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision.

4.7. Gender. Within this Mortgage, words of any gender shall be, held and construed to include any other gender, and words in the singular shall be held and construed to include the plural, and vice versa, unless the context otherwise requires.

4.8. Waiver, Discontinuance of Proceedings. Mortgagee may waive any single default by Mortgagor hereunder without waiving any other prior or subsequent default, and may remedy any default by Mortgagor hereunder without waiving the default remedied. Neither the failure or delay by Mortgagee in exercising, any right, power or remedy upon any default by Mortgagor hereunder shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Mortgagee of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or

Further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Mortgagee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose given. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance by Mortgagee of any payment in an amount less than the amount then due on any of the secured indebtedness shall be deemed an acceptance on account only and shall not in any way affect the existence of a default hereunder.

4.9. Section Headings. The headings of the sections and paragraphs of this Mortgage are for convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.

4.10. GOVERNING LAW, THIS MORTGAGE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, PROVIDED HOWEVER THAT TO THE EXTENT THAT ANY OF SUCH LAWS MAY NOW OR HEREAFTER BE PREEMPTED BY FEDERAL LAW, IN WHICH CASE SUCH FEDERAL LAW SHALL SO GOVERN AND BE CONTROLLING.

4.11. Counting of Days. The term "days" when used herein shall mean calendar days. If any time period ends on a Saturday, Sunday or holiday officially recognized by the state within which the Real Estate is located, the period shall be deemed to end on the next succeeding business day. The term "Business Day" or "Business Day" when used herein shall mean a weekday, Monday through Friday, except a legal holiday or a day on which banking institutions in New York, New York are authorized by law to be closed.

4.12. Application of the Proceeds of the Note. To the extent that proceeds of the Note are used to pay indebtedness secured by any outstanding lien, security interest, charged or prior encumbrance against the Property, such proceeds have been advanced by Mortgagee at Mortgagor's request and Mortgagee shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released.

4.13. Unsecured Portion of Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is unsecured by this Mortgage.

4.14. Cross Default. A default hereunder which has not been cured within any applicable grace or cure period shall be a default under each of the other Loan Documents.

4.15. Interest After Sale. In the event the Property or any part thereof shall be sold upon foreclosure as provided hereunder, to the extent permitted by law, the sure for which the

same shall have been sold shall, for purposes of redemption (pursuant to the laws of the state in which the Property is located), bear interest at the Default Interest Rate.

4.16. Construction of this Document. This document may be construed as a mortgage, security deed, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of the foregoing, in order to fully effectuate the liens and security interests created hereby and the purposes and agreements herein set forth.

4.17. No Merger. It is the desire and intention of the parties hereto that this Mortgage and the lien hereof do not merge in fee simple title to the Property.

4.18. Rights With Respect to Junior Encumbrances. Any person or entity purporting to have or to take a junior mortgage or other lien upon the Property or any interest therein shall be subject to the rights of Mortgagee to amend, modify, increase, vary, alter or supplement this Mortgage, the Note or any of the other Loan Documents and to extend the maturity date of the indebtedness secured hereby and to increase the amount of the indebtedness secured hereby and to waive or forebear the exercise of any of its rights and remedies hereunder or under any of the other Loan Documents and to release any collateral or security for the indebtedness secured hereby, in each and every case without obtaining the consent of the holder of such junior lien and without the lien or security interest of this Mortgage losing its priority over the rights of any such junior lien.

4.19. Mortgagee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Mortgagor or the principals, members or general partners in Mortgagor, or their respective creditors or property, Mortgagee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Mortgagee allowed in such proceedings for the entire secured indebtedness at the date of the institution of such proceedings and for any additional amount which may become due and payable by Mortgagor hereunder after such date.

4.20. After-Acquired Property. All property acquired by Mortgagor after the date of this Mortgage which by the terms of this Mortgage shall be subject to the lien and the security interest created hereby, shall immediately upon the acquisition thereof by Mortgagor and without further deed, conveyance or assignment become subject to the lien and security interest created by this Mortgage.

4.21. No Representation By accepting delivery of any item required to be observed, performed or fulfilled or to be given to Mortgagee pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal or insurance policy, Mortgagee shall not be deemed to have warranted, consented to, or affirmed the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance of delivery thereof shall not be or constitute any warranty, consent or affirmation with respect thereto by Mortgagee.

4.22. Counterparts. This Mortgage may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page.

4.23. Personal Liability. Notwithstanding anything to the contrary contained in this Mortgage, the liability of Mortgagor and its general partners for the indebtedness secured hereby and for the performance of the other agreements, covenants and obligations contained herein and in the Loan Documents shall be limited as set forth in Section 1.05 of the Note; provided, however, that nothing herein shall be deemed to be a waiver of any right which Mortgagee may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured hereby or to require that all collateral shall continue to secure all indebtedness owing to Mortgagee in accordance with the Note, this Mortgage and the other Loan Documents,

4.24. Recording and Filing. Mortgagor will cause the Loan Documents and all amendments and supplements thereto and substitutions therefor to be recorded, filed, re-recorded and re-filed in such manner and in such places as Mortgagee shall reasonably request, and will pay on demand all such recording, filing, re-recording and re-filing taxes, fees and other charges. Mortgagor shall reimburse Mortgagee, or its servicing agent, for the costs incurred in obtaining a tax service company to verify the status of payment of taxes and assessments on the Property.

4.25. Entire Agreement and Modifications. This Mortgage and the other Loan Documents contain the entire agreements between the parties and supersede any prior agreements (oral or written), and may not be amended, revised, waived, discharged, released or terminated orally but only by a written instrument or instruments executed by the party against which enforcement of the amendment, revision, waiver, discharge, release or termination is asserted.

4.26. Maximum Interest. The provisions of this Mortgage and of all agreements between Mortgagor and Mortgagee, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of the Note or otherwise, shall the amount paid; or agreed to be paid ("Interest"), to Mortgagee for the use, forbearance or retention of the money loaned under the Note exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, performance or fulfillment of any provision hereof or of any agreement between Mortgagor and Mortgagee shall, at the time performance or fulfillment of such provision shall be due, exceed the limit for Interest prescribed by law or otherwise transcend the limit of validity prescribed by applicable law, then ipso facto the obligation to be performed or fulfilled shall be reduced to such limit and if, from any circumstance whatsoever, Mortgagee shall ever receive anything of value deemed Interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive Interest shall be applied to the reduction of the principal balance owing under the Note in the inverse order of its maturity (whether or not then due) or at the option of Mortgagee be paid over to Mortgagor, and not to the payment of Interest. All Interest (including any amounts or payments judicially or otherwise under law deemed to be Interest) contracted for, charged, taken, reserved, paid or agreed to be paid to Mortgagee shall, to the extent permitted by applicable law,

be, amortized, prorated, allocated and spread throughout the full term of the Note, including any extensions and renewal thereof, until payment in full of the principal balance of the Note so that the Interest thereon for such full term will not at any time exceed the maximum amount permitted by applicable law. This Section 4.26 will control all agreements between Mortgagor and Mortgagee.

4.27. Application of Default Interest Rate Not a Waiver. Application of the Default Interest Rate shall not be deemed to constitute a waiver of any default or any rights or remedies of Mortgagee under this Mortgage, any other Loan Document or applicable legal requirements, or a consent to any extension of time for the payment or performance of any obligation with respect to which the Default Interest Rate may be invoked.

4.28. Interest Payable by Mortgagee. Mortgagee shall cause funds in the Replacement Reserve and TIC Reserve (the "Funds") to be deposited into interest bearing accounts of the type customarily maintained by Mortgagee or its servicing agent for the investment of similar reserves, which accounts may not yield the highest interest rate then available. The Funds shall be held in an account in Mortgagee's name (or such other account name as Mortgagee may elect) at a financial institution or other depository selected by Mortgagee (or its servicer) in its sole discretion (collectively, the "Depository Institution"). Mortgagor shall earn no more than an amount of interest on the Funds equal to an amount determined by applying to the average monthly balance of such Funds the quoted interest rate for the Depository Institution's money market savings account, as such rate is determined from time to time (such allocated amount being referred to as "Mortgagor's Interest"). Mortgagee or its Depository Institution shall be entitled to report under Mortgagor's Federal tax identification number, Mortgagor's Interest on the Funds. If the Depository Institution does not have an established money market savings account (or if an interest rate for such account cannot otherwise be determined in connection with the deposit of such Funds), a comparable interest rate quoted by the Depository Institution and acceptable to Mortgagee (or its servicer) in its reasonable discretion shall be used. The amount of Mortgagor's Interest allocated to Funds shall be added to the balance in the applicable Reserve, and shall be disbursed for payment of the items for which other Funds in the applicable Reserve are to be disbursed.

4.29. Further Stipulations. The additional covenants, agreements and provisions set forth in Exhibit C attached hereto, if any, shall be a part of this Mortgage and shall, in the event of any conflict between such further stipulations and any of the other provisions of this Mortgage, be deemed to control.

4.30. Relationship of the Parties. The relationship between Mortgagor and Mortgagee is that of a borrower and a lender only and neither of those parties is, nor shall it hold itself out to be, the agent, employee, joint venturer or partner of the other party.

4.31. Fixture Filing. This Mortgage shall be effective from the date of its recording as a financing statement filed as a fixture filing with respect to all goods constituting part of the Property which are or are to become fixtures. The mailing address of Mortgagor and the address of Mortgagee from which information concerning the security interests may be obtained are set forth in Section 1.22 above.

4.32. Cooperation With Rating Agencies and Investors. Mortgagor covenants and agrees that in the event Mortgagee decides to include the Loan as an asset of a Secondary Market Transaction (as defined herein), Mortgagor shall (a) at Mortgagee's request, meet with representatives of the Rating Agencies and/or investors to discuss the business and operations of the Property, and (b) permit Mortgagee or its representatives to provide related information to the Rating Agencies and/or investors, and (c) cooperate with the reasonable requests of the Rating Agencies and/or investors in connection with all of the foregoing. For purposes hereof, a "Secondary Market Transaction" shall be (a) any sale or assignment of this Mortgage, Note and other Loan Documents to one or more investors as a whole loan; (b) a participation of the Loan to one or more investors, (c) any deposit of this Mortgage, the Note and the other Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other entity, or (d) any other sale, assignment or transfer of the Loan or any interest therein to one or more investors. If at any time during which the Loan is an asset of a securitization or is otherwise an asset of any rated transaction, "Rating Agency" shall mean the rating agency or rating agencies that from time to time rate the securities, certificates or other instruments issued in connection with such securitization or other transaction.

4.33. Pennsylvania Provisions. Pursuant to 42 Pa. C.S.A. Section 8144, this Mortgage secures the unpaid balance of advances made, with respect to the Property, for the payment of taxes, assessments, maintenance charges, insurance premiums or costs incurred by Mortgagee for the protection of the Property or the lien of this Mortgage, and expenses incurred by Mortgagee by reason of an Event of Default, and the priority of the lien of such advances shall relate back to the date of the recording of this Mortgage.

[NO FURTHER TEXT ON THIS PAGE]

In WITNESS WHEREOF, Mortgagor, intending to be legally bound hereby, has duly executed this Mortgage under seal as of the day and year first above written.

MORTGAGOR:

THOR CHESTNUT HILL, LP,
a Delaware limited partnership

By: Thor GP Chestnut Hill, LLC,
a Delaware limited liability company,
its general partner

By: /s/ XXX

Name: XXX
Title: Managing Member

THOR CHESTNUT HILL II, LP,
a Delaware limited partnership

By: Thor GP Chestnut Hill II, LLC,
a Delaware limited liability company,
its general partner

By: /s/ XXX

Name: XXX
Title: Managing Member

The address of the within Mortgagee is:

Column Financial, Inc.
11 Madison Avenue Ninth Floor
New York, New York 10010

On behalf of the Mortgagee

State/ Commonwealth of New York
County of New York

On this, the 5th day of June, 2003, before me Courtney Mitchell, the undersigned officer, personally appeared Joseph J. Sitt- known to me (or satisfactorily proven) to be the managing member of Thor GP Chestnut Hill, LLC, a Delaware limited liability company, which is the general partner of Thor Chestnut Hill, LP, a Delaware limited partnership, and acknowledged that he as such managing member being duly authorized to do so, executed the foregoing instrument on behalf of such limited liability company manager of such limited partnership, for the purposes therein contained,

In witness whereof, I hereunto set my hand and official seal.

/s/ COURTNEY P. MITCHELL

Notary Public is
COURTNEY P. MITCHELL
Notary Public, State of New York
No. 01 MI6082687
Qualified in New York County
Commission Expires November 04, 2006

(Seal)

STATE/COMMONWEALTH OF NEW YORK
COUNTY OF NEW YORK

On this, the 5th day of June, 2003, before me Courtney Mitchell, the undersigned officer, personally appeared Joseph J. Sitt- known to me (or satisfactorily proven) to be the, managing member of Thor GP Chestnut Hill II, LLC, a Delaware limited liability company, which is the general partner of Thor Chestnut Hill II, LP, a Delaware limited partnership, and acknowledged that HE as such managing member being duly authorized to do so, executed the foregoing instrument on behalf of such limited liability company, as manager of such limited partnership, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

/s/ COURTNEY P. MITCHELL

Notary Public
COURTNEY P. MITCHELL
Notary Public, State of New York
No. 01MI602687
Qualified in New York County
Commission Expires November 04, 2006

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C

ADDITIONAL STIPULATIONS

C-1 Repair and Remediation Reserve. Prior to the execution of this Mortgage, Mortgagee has caused the Property to be inspected and such inspection has revealed that the Property is in need of certain maintenance, repairs and/or remedial or corrective work. Contemporaneously with the execution hereof, Mortgagor has established with the Mortgagee a reserve in the amount of \$6,875.00 (the "Repair and Remediation Reserve"), which amount represents 125% of the estimated cost to complete such items of Deferred Maintenance (as defined herein), by depositing such amount with Mortgagee. Mortgagor shall cause each of the items described in that certain engineering report dated April 24, 2003 and prepared by ComTech Services, Inc. ComTech Services, Inc. as reviewed and commented on by a desktop review prepared by Certified Environments, Inc. dated April 29, 2003 (all of the foregoing, the "Engineering Report"), relative to the Property, a copy of which has been provided to, and receipt of which is hereby acknowledged by, Mortgagor (the "Deferred Maintenance") to be completed, performed, remediated and corrected to the satisfaction of Mortgagee and as necessary to bring the Property into compliance with all applicable laws, ordinances, rules and regulations on or before one year from the date hereof, as such time period may be extended by Mortgagee in its sole discretion. So long as no default hereunder or under the other Loan Documents has occurred and is continuing (i) all sums in the Repair and Remediation Reserve shall be held by Mortgagee in the Repair and Remediation Reserve to pay the costs and expenses of completing the Deferred Maintenance, and (ii) Mortgagee shall, to the extent funds are available for such purpose in the Repair and Remediation Reserve, disburse to Mortgagor the amount paid or incurred by Mortgagor in completing, performing, remediating or correcting the Deferred Maintenance upon (a) the receipt by Mortgagee of a written request from Mortgagor for disbursement from the Repair and Remediation Reserve which shall include a certification by Mortgagor that the applicable item of Deferred Maintenance has been completed in accordance with the terms of this Mortgage, (b) delivery to Mortgagee of invoices, receipts or other evidence satisfactory to Mortgagee verifying the costs of the Deferred Maintenance to be reimbursed, (c) for any single Deferred Maintenance item in excess of \$20,000.00 (or for any Deferred Maintenance item structural in nature), and prior to disbursement of the final \$20,000.00, delivery to Mortgagee of a certification from an inspecting architect, engineer or other consultant reasonably acceptable to Mortgagee describing the completed work, verifying the completion of the work and the value of the completed work and, if applicable, certifying that the Property is, as a result of such work, in compliance with all applicable laws, ordinances, rules and regulations relating to the Deferred Maintenance so performed, and (d) delivery to Mortgagee of affidavits, lien waivers or other evidence reasonably satisfactory to Mortgagee showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished materials or labor to the Property have been paid all amounts due for such labor and materials furnished to the Property, Mortgagee shall not be required to make advances from the Repair and Remediation Reserve more frequently than one time in any calendar month. In making any payment from the Repair and Remediation Reserve, Mortgagee shall be entitled to rely on such request from Mortgagor without any inquiry into the accuracy, validity or contestability of any such amount No interest or other earnings on the funds contained in the Repair and Remediation Reserve shall be paid to

Mortgagor and any interest or other earnings on funds deposited into the Repair and Remediation Reserve shall be solely for the account of Mortgagee, In the event that the amounts on deposit or available in the Repair and Remediation Reserve are inadequate to pay the costs of the Deferred Maintenance, Mortgagor shall pay the amount of such deficiency.

C-2 Replacement Reserve. As additional security for the indebtedness secured hereby, Mortgagor shall establish and maintain at all times while this Mortgage continues in effect a repair reserve (the "Replacement Reserve"), with Mortgagee for payment of costs and expenses incurred by Mortgagor in connection with capital improvements, repairs and replacements, including the performance of work to the roofs, chimneys, gutters, downspouts, paving, curbs, ramps, driveways, balconies, porches, patios, exterior walls, exterior doors and doorways, windows, carpets, appliances, fixtures, elevators and mechanical and HVAC equipment (collectively the "Repairs"). Commencing on the first monthly payment date under the Note and continuing thereafter on each monthly payment date under the Note, Mortgagor shall pay to Mortgagee, concurrently with the monthly payment due under the Note, a deposit to the Replacement Reserve in an amount equal to \$517.83. So long as no default here under or under the other Loan Documents has occurred and is continuing, (i) all sums in the Replacement Reserve shall be held by Mortgagee in the Replacement Reserve to pay the costs and expense of Repairs, and (ii) Mortgagee shall, to the extent funds are available for such purpose in the Replacement Reserve, disburse to Mortgagor the amount paid or incurred by Mortgagor in performing such Repairs within ten (10) days following: (a) the receipt by Mortgagee of a written request from Mortgagor for disbursement from the Replacement Reserve and a certification by Mortgagor to Mortgagee that the applicable item of Repair has been completed; (b) the delivery to Mortgagee of invoices, receipts or other evidence verifying the cost of performing the Repairs; and (c) for disbursement requests (i) in excess of \$20,000.00 with respect to any single Repair, or (ii) for any single Repair that is structural in nature, delivery to Mortgagee of (I) affidavits, lien waivers or other evidence reasonably satisfactory to Mortgagee showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law Liens and are furnishing or have furnished material or labor to the Property have been paid all amounts due for labor and materials furnished to the Property; (2) a certification from an inspecting architect or other third party acceptable to Mortgagee describing the completed Repairs and verifying the completion of the Repairs and the value of the completed Repairs; and (3) a new (or amended) certificate of occupancy for the portion of the Improvements covered by such Repairs, if said new certificate of occupancy was required by law, or a certification by Mortgagor that no new certificate of occupancy was required by law. Mortgagee shall not be required to make advances from the Replacement Reserve more frequently than one time in any calendar month. In making any payment from the Replacement Reserve, Mortgagee shall be entitled to rely on such request from Mortgagor without any inquiry into the accuracy, validity or contestability of any such amount. Mortgagee may, at Mortgagor's expense (not to exceed \$2,500.00 annually), make or cause to be made during the term of this Mortgage an annual inspection of the Property to determine the need, as determined by Mortgagee in its reasonable judgment, for further Repairs of the Property. In the event that such inspection reveals that further Repairs of the Property are required, Mortgagee shall provide Mortgagor with a written description of the required Repairs and Mortgagor shall complete such Repairs to the reasonable satisfaction of Mortgagee within ninety (90) days (subject to force majeure) after the receipt of such description from Mortgagee, or such later date as may be approved by Mortgagee in its reasonable discretion. Interest or other earnings on the funds

contained in the Replacement Reserve shall be credited to Mortgagor as provided in Section 4.28 hereof in the event that the amounts on deposit or available in the Replacement Reserve are inadequate to pay the cost of the Repairs, Mortgagor shall pay the amount of such deficiency.

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THOR CHESTNUT HILL, LP and
THOR CHESTNUT HILL II, LP
(collectively, Borrower)

to

COLUMN FINANCIAL, INC.,
(Lender)

ASSIGNMENT OF LEASES AND RENTS

Dated: As of June_____, 2003

Location: Philadelphia County, Pennsylvania

PREPARED BY AND UPON
RECORDATION RETURN TO:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Attention: David M. Traitel, Esq.

ASSIGNMENT OF LEASES AND RENTS

Loan No. 271089

THIS ASSIGNMENT OF LEASES AND RENTS (this "Assignment") made as of June_____, 2003, is by THOR CHESTNUT HILL, LP, a Delaware limited partnership ("Chestnut I") and THOR CHESTNUT HILL II, LP, a Delaware limited partnership (Chestnut II"), each having an address do Thor Equities, LLC, 139 Fifth Avenue, New York, New York 10010, (Chestnut I and Chestnut are, collectively, "Borrower"), jointly and severally, to and in favor of COLUMN FINANCIAL, INC., a Delaware corporation ("Lender"), whose address is 11 Madison Avenue, 9th Floor, New York, New York 10010, Att: Edmund Taylor.

WITNESSETH:

THAT, WHEREAS, Borrower has executed a certain Promissory Note dated of even date herewith (the "Note"), payable to the order of Lender in the stated principal amount of TEN MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$10,500,000.00) (the "Loan"); and

WHEREAS, the Note is secured by, among other things, that certain Mortgage and Security Agreement dated of even date herewith (the "Security Instrument"), from Borrower, as mortgagor, encumbering that certain real property situated in the County of Philadelphia, Commonwealth of Pennsylvania, as is more particularly described on Exhibit A attached hereto and incorporated herein by this reference, and together with all buildings and other improvements now or hereafter located thereon (collectively, the 'Improvements') (said real property and the Improvements are hereinafter sometimes collectively referred to as the 'Property'); and

WHEREAS, Borrower is desirous of further securing to Lender the performance of the terms, covenants and agreements hereof and of the Note, the Security Instrument and each other document and agreement evidencing, securing, guaranteeing or otherwise relating to the indebtedness evidenced by the Note (the Note, the Security Instrument and such other documents and agreements, as each of the foregoing may from time to time be amended, consolidated, renewed or replaced, being collectively referred to herein as the "Loan Documents").

NOW, THEREFORE, in consideration of the making of the Loan evidenced by the Note by Lender to Borrower and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower does hereby irrevocably, absolutely and unconditionally transfer, sell, assign, pledge and convey to Lender, its successors and assigns, all of the right, title and interest of Borrower in and to:

(a) any and all leases, licenses, rental agreements and occupancy agreements of whatever form now or hereafter affecting all or any part of the Property and any and all guarantees, extensions, renewals, replacements and modifications thereof (collectively, the "Leases"); and

(b) all deposits (whether for security or otherwise), rents, issues, profits, revenues, royalties, accounts, rights, benefits, and income of every nature of and from the Property, including, without limitation, minimum rents, additional rents, termination payments, forfeited security deposits, liquidated damages following default and all proceeds payable under any policy of insurance covering loss of rents resulting from untenability due to destruction or damage to the Property, together with- the immediate and continuing right to collect and receive the same, whether now due or hereafter becoming due, and together with all rights and claims of any kind that Borrower may have against any tenant, lessee or licensee under the Leases or against any other occupant of the Property (collectively, the "Rents").

TO HAVE AND TO HOLD the same unto Lender, its successors and assigns.

IT IS AGREED that, notwithstanding that this instrument is a present, absolute and executed assignment of the Rents and of the Leases and a present, absolute and executed grant of the powers herein granted to Lender, Borrower is hereby permitted, at the sufferance of Lender and at its discretion, and is hereby granted a license by Lender, to retain possession of the Leases and to collect and retain the Rents unless and until there shall be a default under the terms of any of the Loan Documents, which default has not been cured within any applicable grace or cure period. In the event of such uncured default, the aforementioned license granted to Borrower shall automatically terminate without notice to Borrower, and Lender may thereafter, without taking possession of the Property, demand, collect (by suit or otherwise), receive and give valid and sufficient receipts for any and all of the Rents or take possession of the Leases, for which purpose Borrower does hereby irrevocably make, constitute and appoint Lender its attorney in fact with full power to appoint substitutes or a trustee to accomplish such purpose (which power of attorney shall be irrevocable so long as any portion of the Loan is outstanding shall be deemed to be coupled with an interest, shall survive the voluntary or involuntary dissolution of Borrower and shall not be affected by any disability or incapacity suffered by Borrower subsequent to the date hereof). Further, from and after such termination, Borrower shall be the agent of Lender in collection of the Rents, and any Rents so collected by Borrower shall be held in trust by Borrower for the sole and exclusive benefit of Lender and Borrower shall, within one (1) business day after receipt of any Rents, pay the same to Lender to be applied by Lender as hereinafter set forth. Further, from and after such uncured default and termination of the aforementioned license, Lender shall have the right and authority, without any notice whatsoever to Borrower and without regard to the adequacy of the security therefore, to: (a) manage and operate the Property, with full power to employ agents to manage the same; (b) demand, collect, receive and sue for the Rents, including those past due and unpaid; and (c) do all acts relating to such management of the Property, including, but not limited to, negotiation of new Leases, making adjustments of existing Leases, contracting and paying for repairs and replacements to the Improvements and to the fixtures, equipment and personal property located in the Improvements or used in any way in the operation, use and occupancy of the Property as in the sole subjective judgment and discretion of Lender may be necessary to maintain the same in a tenantable condition, purchasing and paying for such additional furniture and equipment as in the sole subjective judgment of Lender may be necessary to maintain a proper rental income from the Property, employing necessary managers and other employees, purchasing fuel, providing utilities and paying for all other expenses incurred in the operation of the Property, maintaining adequate insurance coverage over hazards customarily insured against and paying the premiums therefore. Lender may apply the Rents received by Lender from the Property, after deducting the

costs of collection thereof, including, without limitation, attorneys' fees and a management fee for any management agent so employed, against amounts expended for repairs, upkeep, maintenance, service, fuel, utilities, taxes, assessments, insurance premiums and such other expenses as Lender incurs in connection with the operation of the Property and against interest, principal, required escrow deposits and other sums which have or which may become due, from time to time, under the terms of the Loan Documents, in such order or priority as to any of the items so mentioned as Lender, in its sole subjective discretion, may determine. The exercise by Lender of the rights granted Lender in this paragraph, and the collection of the Rents and the application thereof as herein provided, shall not be considered a waiver by Lender of any default under the Loan Documents or prevent foreclosure of any liens on the Property nor shall such exercise make Lender liable under any of the Leases, Lender hereby expressly reserving all of its rights and privileges under the Security Instrument and the other Loan Documents as fully as though this Assignment had not been entered into.

Without limiting the rights granted hereinabove, in the event Borrower shall fail to make any payment or to perform any act required under the terms hereof and such failure shall not be cured within any applicable grace or cure period, then Lender may, but shall not be obligated to, without prior notice to or demand on Borrower, and without releasing Borrower from any obligation hereof, make or perform the same in such manner and to such extent as Lender may deem necessary to protect the security hereof, including specifically, without limitation, appearing in and defending any action or proceeding purporting to affect the security hereof or the rights or powers of Lender, performing or discharging any obligation, covenant or agreement of Borrower under any of the Leases, and, in exercising any of such powers, paying all necessary costs and expenses, employing counsel and incurring and paying attorneys' fees. Any sum advanced or paid by Lender for any such purpose, including, without limitation, attorneys' fees, together with interest thereon at the Default Interest Rate (as defined in the Note) from the date paid or advanced by Lender until repaid by Borrower, shall immediately be due and payable to Lender by Borrower on demand and shall be secured by the Security Instrument and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Note.

IT IS FURTHER AGREED that this Assignment is made upon the following terms, covenants and conditions:

I. This Assignment shall not operate to place responsibility for the control, care, management or repair of the Property upon Lender, nor for the performance of any of the terms and conditions of any of the Leases, nor shall it operate to make Lender responsible or liable for any waste committed on the Property by the tenants or any other party or for any dangerous or defective condition of the Property or for any negligence in the management, upkeep, repair or control of the Property. Lender shall not be liable for any loss sustained by Borrower resulting from Lender's failure or inability to collect Rents, proceeds or other payments, or to let the Property, or from any other act or omission of Lender in managing the Property. BORROWER SHALL AND DOES HEREBY INDEMNIFY AND HOLD LENDER HARMLESS FROM AND AGAINST ANY AND ALL LIABILITY, LOSS, CLAIM, DEMAND OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY REASON OF THIS ASSIGNMENT, INCLUDING, WITHOUT LIMITATION, CLAIMS OR DEMANDS FOR SECURITY DEPOSITS FROM TENANTS OF SPACE IN THE IMPROVEMENTS DEPOSITED WITH BORROWER, AND FROM AND AGAINST ANY AND ALL CLAIMS AND DEMANDS

WHATSOEVER WHICH MAY BE ASSERTED AGAINST LENDER BY REASON OF ANY ALLEGED OBLIGATIONS OR UNDERTAKING ON ITS PART TO PERFORM OR DISCHARGE ANY OF THE TERMS, COVENANTS OR AGREEMENTS CONTAINED IN ANY OF THE LEASES. SHOULD LENDER INCUR ANY LIABILITY BY REASON OF THIS ASSIGNMENT OR IN DEFENSE OF ANY CLAIM OR DEMAND FOR LOSS OR DAMAGE AS PROVIDED ABOVE, THE AMOUNT THEREOF, INCLUDING, WITHOUT LIMITATION, COSTS, EXPENSES AND ATTORNEYS' FEES, TOGETHER WITH INTEREST THEREOF AT THE DEFAULT INTEREST RATE FROM THE DATE PAID OR INCURRED BY LENDER UNTIL REPAYED BY BORROWER, SHALL BE IMMEDIATELY DUE AND PAYABLE TO LENDER BY BORROWER UPON DEMAND AND SHALL BE SECURED BY THE SECURITY INSTRUMENT AND BY ALL OF THE OTHER LOAN DOCUMENTS SECURING ALL OR ANY PART OF THE INDEBTEDNESS EVIDENCED BY THE NOTE.

2. This Assignment shall not be construed as making Lender a mortgagee in possession.

3. Lender is obligated to account to Borrower only for such Rents as are actually collected or received by Lender.

4. Borrower hereby further presently and absolutely assigns to Lender subject to the terms and provisions of this Assignment: (a) any award or other payment which Borrower may hereafter become entitled to receive with respect to any of the Leases as a result of or pursuant to any bankruptcy, insolvency or reorganization or similar proceedings involving the tenants under such Leases; and (b) any and all payments made by or on behalf of any tenant of any part of the Property in lieu of Rent. Borrower hereby irrevocably appoints Lender as its attorney-in fact to, from and after the occurrence of a default by Borrower hereunder or under any of the other Loan Documents which has not been cured within any applicable grace or cure period, appear in any such proceeding and to collect any such award or payment, which power of attorney is coupled with an interest by virtue of this Assignment and is irrevocable so long as any sums are outstanding under the loan evidenced by the Note.

5. Borrower represents, warrants and covenants to and for the benefit of Lender: (a) that Borrower now is (or with respect to any Leases not yet in existence, will be immediately upon the execution thereof) the absolute owner of the landlord's interest in the Leases, with full right and title to assign the same and the Rents due or to become due thereunder; (b) that, other than this Assignment and those assignments if any, specifically permitted in the Security Instrument, there are no outstanding pledges or assignments of the Leases or Rents; (c) that no Rents have been anticipated, discounted, released, waived, compromised or otherwise discharged except for prepayment of rent of not more than one (1) month prior to the accrual thereof; (d) that there are no material defaults now existing under any of the Leases by the landlord or tenant; and, to the best of Borrowers knowledge, there exists no state of facts which, with the giving of notice or lapse of time or both, would constitute a default under any of the Leases by the landlord or tenant; except as disclosed in writing to Lender; (e) that Borrower has and shall duly and punctually observe and perform all covenants, conditions and agreements in the Leases on the part of the landlord to be observed and performed thereunder; and (f) the Leases are in full force

and effect and are the valid and binding obligations of Borrower, and, to the knowledge of Borrower, are the valid and binding obligations of the tenants thereto.

6. Borrower covenants and agrees that Borrower shall not, without the prior written consent of Lender: (a) exclusive of security deposits, accept any payment of Rent or installments of Rent for more than one (1) month in advance; (b) enter into any Lease having a term of less than six (6) months or in excess of ten (10) years or in excess of 6,000 square feet (c) cancel or terminate any Lease (other than for - non-payment of Rent or any other material default thereunder) or amend or modify any Lease; (d) take or omit to take any action or exercise any right or option which would permit the tenant under any Lease to cancel or terminate said Lease; (e) anticipate, discount, release, waive, compromise or otherwise discharge any Rents payable or other obligations under the Leases; (f) further pledge, transfer, mortgage or otherwise encumber or assign the Leases or future payments of Rents except as otherwise expressly permitted by the terms of the Security Instrument or incur any material indebtedness, liability or other obligation to any tenant, lessee or licensee under the Leases; or (g) permit any Lease to become subordinate to any lien other than the lien of the Security Instrument provided, however, that Borrower may take any of the actions described in subsection (c) or (e) above so long as such actions are taken by Borrower in the ordinary course of business and are consistent with sound customary leasing and management practices for similar properties.

7. Borrower covenants and agrees that Borrower shall, at its sole cost and expense, appear in and defend any action or proceeding arising under, growing out of, or in any manner connected with the Leases or the obligations, duties or liabilities of the landlord or tenant thereunder, and shall pay on demand all costs and expenses, including, without limitation, attorneys' fees, which Lender may incur in connection with Lender's appearance, voluntary or otherwise, in any such action or proceeding, together with interest thereon at the Default Interest Rate from the date incurred by Lender until repaid by Borrower.

8. At any time, Lender may, at its option, notify any tenants or other parties of the existence of this Assignment. Borrower does hereby specifically authorize, instruct and direct each and every present and future tenant, lessee and licensee of the whole or any part of the Property to pay all unpaid and future Rents to Lender upon receipt of demand from Lender to so pay the same and Borrower hereby agrees that each such present and future tenant, lessee and licensee may rely upon such written demand from Lender to so pay said Rents without any inquiry into whether there exists a default hereunder or under the other Loan Documents or whether Lender is otherwise entitled to said Rents, Borrower hereby waives any right, claim or demand which Borrower may now or hereafter have against any present or future tenant lessee or licensee by reason of such payment of Rents to Lender, and any such payment shall discharge such tenant's, lessee's or licensee's obligation to make such payment to Borrower.

9. Lender may take or release any security for the indebtedness evidenced by the Note, may release any party primarily or secondarily liable for the indebtedness evidenced by the Note, may grant extensions, renewals or indulgences with respect to the indebtedness evidenced by the Note and may apply any other security therefore held by it to the satisfaction of any indebtedness evidenced by the Note without prejudice to any of its rights hereunder.

10. The acceptance of this Assignment and the collection of the Rents in the event Borrower's license is terminated, as referred to above, shall be without prejudice to Lender. The rights of Lender hereunder are cumulative and concurrent, may be pursued separately, successively or together and may be exercised as often as occasion therefore shall arise, it being agreed by Borrower that the exercise of any one or more of the rights provided for herein shall not be construed as a waiver of any of the other rights or remedies of Lender, at law or in equity or otherwise, so long as any obligation under the Loan Documents remains unsatisfied.

11. All rights of Lender hereunder shall inure to the benefit of its successors and assigns, and all obligations of Borrower shall bind its successors and assigns and any subsequent owner of the Property. All rights of Lender in, to and under this Assignment shall pass to and may be exercised by any assignee of such rights of Lender. Borrower hereby agrees that if Lender gives notice to Borrower of an assignment of said rights, upon such notice the liability of Borrower to the assignee of the Lender shall be immediate and absolute. Borrower will not set up any claim against Lender or any intervening assignee as a defense, counterclaim or set-off to any action brought by Lender or any intervening assignee for any amounts due hereunder or for possession of or the exercise of rights with respect to the Leases or the Rents.

12. It shall be a default hereunder (a) if any representation or warranty made herein by Borrower is determined by Lender to have been false or misleading in any material respect at the time made, or (b) upon any failure by Borrower to comply with the provisions of Paragraph 6 above or (c) upon any failure by Borrower in the performance or observance of any other covenant or condition hereof and, to the extent such failure described in this subsection (c) is susceptible of being cured, the continuance of such failure for thirty (30) days after written notice thereof from Lender to Borrower; provided, however, that if such default is susceptible of cure but such cure cannot be accomplished with reasonable diligence within said period of time, and if Borrower commences to cure such default promptly after receipt of notice thereof from Lender, and thereafter prosecutes the curing of such default with reasonable diligence, such period of time shall be extended for such period of time as may be necessary to cure such default with reasonable diligence, but not to exceed an additional ninety (90) days. Any such default not so cured shall be a default under each of the other Loan Documents, entitling Lender to exercise any or all rights and remedies available to Lender under the terms hereof or of any or all of the other Loan Documents, and any default under any other Loan Document which is not cured within any applicable grace or cure period shall be deemed a default hereunder subject to no grace or cure period, entitling Lender to exercise any or all rights provided for herein, -

13. Failure by Lender to exercise any right which it may have hereunder shall not be deemed a waiver thereof unless so agreed in writing by Lender, and the waiver by Lender of any default hereunder shall not constitute a continuing waiver or a waiver of any other default or of the same default on any future occasion, No collection by Lender of any Rents pursuant to this Assignment shall constitute or result in a waiver of any default then existing hereunder or under any of the other Loan Documents.

14. If any provision under this Assignment or the application thereof to any entity, person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Assignment and the application of the provisions hereof to other entities, persons or

circumstances shall not be affected thereby and shall be enforced to the fullest extent permitted by law.

15. This Assignment may not be amended, modified or otherwise changed except by a written instrument duly executed by Borrower and Lender.

16. This Assignment shall be in full force and effect continuously from the date hereof to and until the Security Instrument shall be released of record, and the release of the Security Instrument shall, for all purposes, automatically terminate this Assignment and render this Assignment null and void and of no effect whatsoever.

17. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be given and become effective as provided in the Security Instrument.

18. THIS ASSIGNMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCEPT TO THE EXTENT THAT ANY OF SUCH LAWS MAY NOW OR HEREAFTER BE PREEMPTED BY FEDERAL LAW, IN WHICH CASE SUCH FEDERAL LAW SHALL SO GOVERN AND BE CONTROLLING; PROVIDED HOWEVER THAT THE LAWS OF THE STATE IN WHICH THE REAL PROPERTY ON EXHIBIT A ATTACHED HERETO IS LOCATED SHALL GOVERN AS TO THE CREATION, PRIORITY AND ENFORCEMENT OF LIENS AND SECURITY INTERESTS IN PROPERTY LOCATED IN SUCH STATE.

19. This Assignment may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page. Any signature page of this Assignment may be detached from any counterpart of this Assignment without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Assignment identical in form hereto but having attached to it one or more additional signature pages.

20. In addition to, but not in lieu of, any other rights hereunder, Lender shall have the right to institute suit and obtain a protective or mandatory injunction against Borrower to prevent a breach or default, or to enforce the observance, of the agreements, covenants, terms and conditions contained herein, as well as the right to damages occasioned by any breach or default. This Assignment shall continue and remain in full force and effect during any period of foreclosure with respect to the Property.

21. Borrower hereby covenants and agrees that Lender shall be entitled to all of the rights, remedies and benefits available by statute, at law, in equity or as a matter of practice for the enforcement and perfection of the intents and purposes hereof. Lender shall, as a matter of absolute right, be entitled, upon application to a court of applicable jurisdiction, to the appointment of a receiver to obtain and secure the rights of Lender hereunder and the benefits intended to be provided to Lender hereunder.

22. Notwithstanding anything to the contrary contained in this Assignment, the liability of Borrower and its general partners for the indebtedness secured hereby and for the

performance of the other agreements, covenants and obligations contained herein and in the Loan Documents shall be limited as set forth in Section 1.05 of the Note; provided, however, that nothing herein shall be deemed to be a waiver of any right which Assignee may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured hereby or to require that all collateral shall continue to secure all indebtedness owing to Lender in accordance with the Note, this Assignment and the other Loan Documents.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has executed this Assignment as of the day and year first above written.

THOR CHESTNUT HILL, LP,
a Delaware limited partnership

By: Thor GP Chestnut Hill, LLC,
a Delaware limited liability
company, its general partner

By: _____
Name:
Title:

THOR CHESTNUT HILL II, LP,
a Delaware limited partnership

By: Thor GP Chestnut Hill II, LLC, a
Delaware limited liability company,
its general partner

By: _____
Name:
Title:

State/Commonwealth of New York County of New York

On this, the _____ day of June, 2003 before me _____, the undersigned officer, personally appeared _____ - known to me (or satisfactorily proven) to be the _____ of Thor GP Chestnut Hill, LLC, a Delaware limited liability company, which is the general partner of Thor Chestnut Hill, LP, a Delaware limited duly authorized to do so partnership, and acknowledged that he/she as such _____ being duly authorized to do so, executed the foregoing instrument on behalf of such _____ as manager of such limited partnership, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

(Seal)

Notary Public
COURTNEY P. MITCHELL
Notary Public, State of New York
No. 01M16082687
Qualified in New York County
Commission Expires November 04, 2006

State/Commonwealth of New York
County of New York

On this, the _____ day of June 2003, before me _____ the undersigned officer, personally appeared _____ - known to me (or satisfactorily proven) to be the _____ of Thor GP Chestnut Hill II, LLC, a Delaware limited liability company, which is the general partner of Thor Chestnut Hill II, LP, a Delaware limited partnership, and acknowledged instrument on behalf of such _____, as manager of such limited partnership, for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

(Seal)

Notary Public
COURTNEY P. MITCHELL
Notary Public, State of New York
No. 01M16082657
Qualified in New York County
Commission Expires November 04, 2006

EXHIBIT A
PROPERTY DESCRIPTION

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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 year 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 registrant's board of directors (or persons performing the equivalent function);
 - (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
August 9, 2006

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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 year 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 registrant's board of directors (or persons performing the equivalent function);
 - (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
August 9, 2006

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 June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth F. Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
August 9, 2006

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 June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Nelsen, Sr. Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and
Chief Financial Officer
August 9, 2006