

**United States  
Securities and Exchange Commission**  
Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2004

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

For the transition period from to

Commission File Number 1-12002

**ACADIA REALTY TRUST**

(Exact name of registrant as specified in its charter)

**Maryland**

(State of incorporation)

**23-2715194**

(I.R.S. employer identification no.)

**1311 Mamaroneck Avenue, Suite 260**

**White Plains, NY 10605**

(Address of principal executive offices)

**(914) 288-8100**

(Registrant's telephone number)

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

**Common Shares of Beneficial Interest, \$.001 par value**

(Title of Class)

**New York Stock Exchange**

(Name of Exchange on which registered)

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

None

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

YES

NO

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

X

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

YES

NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was \$400.4 million, based on a price of \$13.74 per share, the average sales price for the Registrant's shares of beneficial interest on the New York Stock Exchange on that date.

The number of shares of the Registrant's Common Shares of Beneficial Interest outstanding on March 14, 2005 was 31,387,575.

**DOCUMENTS INCORPORATED BY REFERENCE**



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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

**PART I****ITEM 1. BUSINESS****GENERAL**

Acadia Realty Trust (the “Company” or “Acadia”) was formed on March 4, 1993 as a Maryland Real Estate Investment Trust (“REIT”). The Company is a fully integrated, self-managed and self-administered equity REIT focused primarily on the ownership, acquisition, redevelopment and management of neighborhood and community shopping centers. The Company currently operates 69 properties, which it owns or has an ownership interest in, consisting of 64 neighborhood and community shopping centers, one shopping center under development, one enclosed mall, one mixed-use property (retail/residential) and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States and, in total, comprise approximately 9.6 million square feet.

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership, a Delaware limited partnership (the “Operating Partnership”) and its majority-owned subsidiaries. As of December 31, 2004, the Company controlled 99% of the Operating Partnership as the sole general partner. As the general partner, the Company is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners represent entities or individuals who contributed their interests in certain properties or partnerships to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common OP Units” or “Preferred OP Units”). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Company (“Common Shares”). This structure is commonly referred to as an umbrella partnership REIT or “UPREIT”.

On August 12, 1998, the Company completed a major reorganization (“RDC Transaction”) in which it acquired 12 shopping centers, five multi-family properties and a 49% interest in one shopping center along with certain third party management contracts and promissory notes from real estate investment partnerships (“RDC Funds”) managed by affiliates of RD Capital, Inc. In exchange for these and a cash investment of \$100.0 million, the Company issued 11.1 million Common OP Units and 15.3 million Common Shares to the RDC Funds. These OP Units and Common Shares were distributed to the respective limited partners of the RDC Funds during 2000. After giving effect to the conversion of the Common OP Units the RDC Funds beneficially owned 72% of the Common Shares as of the closing of the RDC Transaction. During February of 2003, the Company issued additional Common OP Units and cash valued at \$2.8 million to certain limited partners in connection with its obligation under the RDC Transaction. The payment was due upon the commencement of rental payments from a designated tenant at one of the properties acquired in the RDC Transaction.

During 2001, certain of the Company’s larger shareholders expressed a desire for liquidity. The Company determined that it was in the best interest of the Company to provide an opportunity for all shareholders wishing to sell their Common Shares to be able to do so in a manner that would not negatively impact its share price. To accomplish this goal, the Company conducted a “Modified Dutch Auction” tender offer (the “Tender Offer”) which permitted it to provide liquidity to some shareholders and at the same time benefit its remaining shareholders by acquiring shares at an attractive price. Upon completion of the Tender Offer in February 2002, the Company purchased 4,136,321 Common Shares and 1,387,653 Common OP Units (collectively, “Shares”), at a Purchase Price of \$6.05. This included 600,000 Shares purchased from Ross Dworman, former Chairman of the Board of Trustees, who participated in the Tender Offer. The aggregate purchase price paid for the 5,523,974 Shares was \$33.4 million.

In addition to its direct investments in real estate assets, the Company has also capitalized on its expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing a joint venture in which the Company earns, in addition to a return on its equity interest, fees for its services. In September 2001, the Company and four of its institutional shareholders formed a joint venture, Acadia Strategic Opportunity Fund, LP (“Fund I”), whereby the investors committed \$70 million for the purpose of acquiring real estate assets. The Company, which contributed an additional \$20 million to Fund I, is the general partner with a 22% interest. In addition to a pro-rata return on its invested equity, the Company is entitled to a profit participation based upon certain investment return thresholds. Cash flow is distributed pro-rata to the partners (including the Company) until they have received a 9% cumulative return on, and a return of all capital contributions. Thereafter, remaining cash flow is distributed 80% to the partners (including the Company) and 20% to the Company. The Company also earns a fee for asset management services equal to 1.5% of the total equity commitments, as well as fees for property management, leasing and construction services.

A total of 2,212 Series A Preferred OP Units (“Series A Units”) were issued November 16, 1999 in connection with the acquisition of all the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. These Series A Units have a stated value of \$1,000 each and are entitled to a quarterly preferred distribution of the greater of (i) \$22.50 (9% annually) per Series A Units or (ii) the quarterly distribution attributable to a Series A Units if such unit were converted into a Common OP Unit. The Series A Units are currently convertible into Common OP Units based on the stated value divided by \$7.50. After November 16, 2006, either the Company or the holders can call for the conversion of the Series A Units at the lesser of \$7.50 or the market price of the Common Shares as of the conversion date. A total of 1,580 Series A Units were outstanding as of December 31, 2004 following the conversion of 632 Series A Units to Common OP Units during 2003.

On January 27, 2004, the Operating Partnership issued 4,000 Series B Preferred Units (“Series B Units”) in connection with the acquisition from Klaff Realty, L.P. (“Klaff”) of its rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties (the “Klaff Properties”) totaling approximately 10 million square feet of retail space located throughout the United States. The acquisition involves only Klaff’s rights associated with operating the Klaff Properties and does not include equity interests in assets owned by Klaff or Lubert-Adler. The Series B Units have a stated value of \$1,000 each and are entitled to a quarterly preferred distribution of the greater of (i) \$13.00 (5.2% annually) per Series B Units or (ii) the quarterly distribution attributable to a Series B Unit if such unit were converted into a Common OP Unit. The Series B Units are convertible into Common OP Units based on the stated value of \$1,000 divided by \$12.82 at any time. Additionally, the holder of the Series B Units may redeem them at par for either cash or Common OP Units (at the Company’s option) after the earlier of January 27, 2007, or the occurrence of certain events including a change in control of the Company. Finally, after January 27, 2009, the Company may redeem the Series B Units and convert them into Common OP Units at market value as of the redemption date. In response to a subsequent request from Klaff, the Company’s Board of Trustees approved a waiver on February 24, 2004 which allows Klaff to redeem 1,500 Series B Units at any time for cash. Klaff has not redeemed any Series B Units as of the date of this Form 10K filing.

## RECENT DEVELOPMENTS

### Acquisition Initiatives

On June 15, 2004, the Company closed its second acquisition fund, Acadia Strategic Opportunity Fund II, LLC (“Fund II”), which includes all of the investors from Fund I as well as two new institutional investors. With \$300 million of committed discretionary capital, Fund II expects to be able to acquire up to \$900 million of real estate assets on a leveraged basis. The Company is the managing member with a 20% interest in Fund II. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8% and the asset management fee is calculated on committed equity of \$250 million through June 15, 2005 and then on the total committed equity of \$300 million thereafter. To date, Fund II has invested in the RCP Venture and the New York Urban Infill Redevelopment initiative as discussed below.

On January 27, 2004, in addition to acquiring the management rights to the Klaff Properties as discussed in further detail in “Business-General” in Item 1 of this Form 10K, the Company also entered into the Retailer Controlled Property Venture (the “RCP Venture”) with 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. The initial size of the RCP Venture is expected to be approximately \$300 million in equity based on anticipated investments of approximately \$1 billion. Each participant in the RCP Venture has the right to opt out of any potential investment. The Company and its current acquisition funds, Funds I and II, anticipate investing 20% of the equity of the RCP Venture. Cash flow is to be distributed to the partners until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff (“Klaff’s Promote”) and 80% to the partners (including Klaff). The Company will also earn market-rate fees for property management, leasing and construction services on behalf of the RCP Venture. In the third quarter of 2004, the Company made its first RCP Venture investment with its participation in the acquisition of Mervyn’s as discussed in “PROPERTY ACQUISITIONS” in Item 1 of this Form 10-K and the RCP Venture is currently exploring additional investment opportunities.

In September of 2004, Acadia launched its New York Urban Infill Redevelopment initiative. As retailers are beginning to recognize that many of the nation’s urban markets are underserved from a retail standpoint, the Company intends 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. To date, the Company, in conjunction with its investment partner, P/A Associates, LLC (“P/A”), has invested in two projects through Fund II as discussed further in “PROPERTY ACQUISITIONS” in this Item 1 of this Form 10-K.

The membership agreement between Fund II and P/A provides, among other things, that, subject to a maximum of \$2 million, P/A will contribute 10% of the first \$10.0 million of required capital for the joint venture and 5% of the required capital thereafter. Cash flow is to be distributed pro-rata to the members until they have received a 10% cumulative return and a full return of all contributions. Thereafter, 60% of the remaining cash flow is to be distributed to Fund II and 40% to P/A, subject to Fund II receiving an 18% internal rate of return on all invested capital. The Company will also earn market-rate fees for property management, leasing and construction services on behalf of Fund II.

### Capital Market Transactions

In March of 2004, a secondary public offering was completed for a total of 5,750,000 Common Shares. The selling shareholders, Yale University and its affiliates (“Yale”) and Ross Dworman, a former trustee, sold 4,191,386 and 1,558,614 Common Shares, respectively. Yale was a major participant in the RDC Transaction, owning, at one time, approximately one-third of all outstanding Common Shares of the Company. Following this transaction, Yale owned approximately 4.6 million Common Shares, or approximately 16% of the Company’s outstanding Common Shares. The Company did not sell any Common Shares in the offering and did not receive any proceeds from the offering.

During November 2004, the Company issued 1,890,000 Common Shares (the “Offering”). The Offering was made pursuant to shelf registration statements filed under the Securities Act of 1933, as amended, and previously declared effective by the Securities and Exchange Commission on March 29, 2000, May 14, 2003 and March 19, 2004. The \$28.3 million in proceeds from the Offering, net of related costs, were used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Yale, and Kenneth F. Bernstein, the Company’s Chief Executive Officer, also sold 1,000,000, and 110,000 Common Shares, respectively, in connection with this transaction. Mr. Bernstein sold 110,000 Common Shares in connection with his exercise of options to purchase 150,000 Common Shares. In connection with the Offering, the Company and all insiders, including Yale, agreed to a 90-day lockup period. After the Offering, Yale owned approximately 3.6 million Common Shares, or approximately 12% of all outstanding Common Shares of the Company.

### **Corporate Governance Initiatives**

In March of 2004, following the initial restructuring of its governing process and the establishment of the position of an independent Lead Trustee in 2003, Acadia announced the next phase of its corporate governance initiatives. In connection with the Company’s efforts to transition to a more independent board of trustees, it announced that four individuals would not stand for re-election at its 2004 annual meeting of shareholders. Mr. Bernstein, along with four independent trustees, were re-elected and two new independent trustees were elected. In addition, Mr. Dworman, former Chairman and Chief Executive Officer, resigned as a trustee. In conjunction with his resignation, Mr. Dworman exercised all of his outstanding share options. These options to purchase one million common shares at \$7.50 per share were granted pursuant to the RDC Transaction. As a result of the 2004 governance initiatives, six of the Company’s seven board members are currently independent.

### **BUSINESS OBJECTIVES AND STRATEGIES**

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

- Own and operate a portfolio of community and neighborhood shopping centers anchored by necessity-based and value-oriented retail and 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

### **Growth Strategy - Opportunistic Acquisition Platforms**

In 2002 and 2003, Acadia’s acquisition program was executed exclusively through its acquisition joint venture, Fund I. Historically, the Company has focused on targeting assets for acquisition that have superior in-fill locations, restricted competition due to high barriers of entry and in-place below-market anchor leases with the potential to create significant additional value through re-tenanting, timely capital improvements and property redevelopment. The Company has considered both single assets and portfolios in its acquisition program. Although the Company currently operates properties in the Northeast, Mid-Atlantic and Midwest region, and therefore focused on potential acquisitions within these geographic areas, it would consider portfolio acquisitions outside its current geographic footprint.

Following its success with Fund I, the Company formed a second, larger acquisition joint venture, Fund II, during 2004 as discussed in “RECENT DEVELOPMENTS” in Item 1 of this Form 10-K. As the demand for retail real estate has significantly increased during 2003 and 2004, there has been a commensurate increase in selling prices. In an effort to generate superior risk-adjusted returns for its shareholders and joint venture investors, the Company channeled its acquisition efforts in two new opportunistic joint ventures launched during 2004 – the RCP Venture and New York Urban Infill initiative (also discussed in “RECENT DEVELOPMENTS” in Item 1 of this Form 10-K).

The Company will seek to invest opportunistically, through Funds I and II, in the RCP Venture primarily in the following three ways:

- working with financially healthy retailers to create value from their surplus real estate;
- acquiring properties, designation rights or other control of real estate or leases associated with retailers in bankruptcy; and
- completing sale/leasebacks with retailers in need of capital.

The Company also intends to invest, through Fund II, in the New York Urban Infill initiative, which focuses on investing in redevelopment projects located in dense urban population areas where retail tenant demand has effectively surpassed the supply of available sites.

The Company may also invest in preferred equity investments, mortgages, other real estate interests and other investments. The mortgages in which the Company invests in may be either first mortgages or mezzanine debt, where the Company believes the underlying value of the real estate collateral is in excess of its loan balance.

The Company also regularly engages in discussions with public and private entities regarding business combinations. Furthermore, the Company may consider either acquiring directly or engaging in additional joint ventures related to property acquisition and development. The requirements that acquisitions be accretive on a long-term basis based on the Company's cost of capital, as well as increase the overall portfolio quality and value, are core to the Company's acquisition program. As such, the Company constantly evaluates the blended cost of equity and debt and adjusts the amount of acquisition activity to align the level of investment activity with capital flows.

### **Operating Strategy - Experienced Management Team with Proven Track Record**

Acadia's senior management team has an average of 7 years with the Company and its predecessors and 24 years in the real estate industry. During 2002, the management team successfully completed a multi-year portfolio repositioning initiative that significantly improved the quality of the Company's portfolio and tenant base. The Company believes its management team has demonstrated the ability to create value internally through anchor recycling, property redevelopment and strategic non-core dispositions.

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

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

### **Financing Strategy**

The Company intends to continue financing acquisitions and property redevelopment with sources of capital determined by management to be the most appropriate based on, among other factors, availability, pricing and other commercial and financial terms. The sources of capital may include cash on hand, bank and other institutional borrowing, the sale of properties and issuance of equity securities. The Company continually focuses on maintaining a strong balance sheet when considering the sourcing of capital. The Company manages its interest rate risk primarily through the use of variable and fixed rate debt. It also utilizes LIBOR swap agreements in managing its exposure to interest rate fluctuations. See Item 7A for a discussion on the Company's market risk exposure related to its mortgage debt.

## **PROPERTY ACQUISITIONS**

### RCP Venture

In September 2004, the Company made its first RCP Venture investment with its participation in the acquisition of Mervyn's. Affiliates of Funds I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyn's through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerberus, acquired Mervyn's from Target Corporation. The total acquisition price was approximately \$1.2 billion subject to debt of approximately \$800.0 million. Affiliates of Funds I and II invested equity aggregating \$23.2 million on a non-recourse basis, which was divided equally between them, with the Company's total share of equity investment equaling \$4.9 million. Mervyn's is a 257-store discount retailer with a very strong West Coast concentration. The majority of the stores are well-located in high-barrier to entry markets, which we believe gives a recapitalized and refocused operator the opportunity to create a productive retail platform and subsequent future value.

### New York Urban Infill Initiative

Fordham Road - On September 29, 2004, in conjunction with its investment partner, P/A, the Company (through Fund II) purchased 400 East Fordham Road in The Bronx, NY. The property, a multi-level retail and commercial building, is located at the intersection of East Fordham Road and Webster Avenue, near Fordham University. Acadia believes Fordham Road is the strongest retail area in The Bronx and the third largest retail corridor in New York City, with over 650,000 people in a two-mile radius and retail sales in excess of \$500 million. Sears is the major tenant of the property, retailing on four levels.

The redevelopment of the property is scheduled to commence in 2007 following the expiration of the Sears lease, which was originally signed in 1964. However, depending on current negotiations with both Sears and other potential anchors, the timeframe of the redevelopment may be accelerated. The strength of the retail market in The Bronx is evidenced by core retail rents exceeding \$75 per square foot in the marketplace with many retailers utilizing multi-level formats. As part of the redevelopment, there is the potential for additional expansion of up to 85,000 square feet of space. The total cost of the redevelopment project, including the acquisition cost of \$30 million, is estimated to be between \$65 and \$70 million, depending on the ultimate scope of the project.



Pelham Manor - On October 1, 2004, Fund II initiated its second urban/infill project in conjunction with P/A. Fund II entered into a 95-year ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York. The property is in an upper middle-income, infill neighborhood located approximately 10 miles from Manhattan with over 400,000 people in a three-mile radius. The redevelopment contemplates the demolition of the existing industrial and warehouse buildings, and replacing them with a multi-anchor community retail center. The Company anticipates the redevelopment to cost between \$30 and \$33 million, with construction anticipated to commence within the next 12 to 24 months. In the interim, the property will continue to be operated as an industrial and warehouse facility. Prior to commencement of the redevelopment process, the ground rent payment is projected to equal the warehouse rents collected.

## Fund I

To date, Fund I has purchased a total of 35 assets totaling 2.7 million square feet. Details of these acquisitions are as follows:

### *2004 Acquisitions*

On March 11, 2004, Fund I, in conjunction with the Company's long-time investment partner, Hendon Properties ("Hendon"), purchased a \$9.6 million first mortgage loan from New York Life Insurance Company for \$5.5 million. The loan, which was secured by a 235,000 square foot shopping center in Aiken, South Carolina, was in default at acquisition. Fund I and Hendon acquired the loan with the intention of pursuing ownership of the property securing the debt. Fund I provided 90% of the equity capital and Hendon provided the remaining 10% of the equity capital used to acquire the loan. Hendon is entitled to receive profit participation in excess of its proportionate equity interest. The property is currently anchored by a Kroger supermarket and was only 56% occupied at acquisition due to the vacancy of a former Kmart store. Subsequent to the acquisition of the loan, Fund I and Hendon obtained fee title to this property and currently plan to redevelop and re-anchor the center. The Company loaned \$3.2 million to the property-owning entity in connection with the purchase of the first mortgage loan. The note matures March 9, 2006, and bears interest at 7% for the first year and 6% for the second year. In addition to its loan to Fund I, the Company invested \$0.9 million, primarily its pro-rata share of equity as a partner in Fund I. In September 2004, Fund I and Hendon purchased the Pine Log Plaza for \$1.5 million. The 35,000 square foot center is located in front of and adjacent to the Hitchcock Plaza. Related to this transaction, the Company provided an additional \$0.75 million loan to Fund I with a March 2006 maturity and interest at 7% for the first year and 6% for the second year.

In May 2004, Fund I and an unaffiliated partner, each with a 50% interest, acquired a 35,000 square foot shopping center in Tarrytown, New York, for \$5.3 million. Related to this acquisition, the Company loaned \$2.0 million to Fund I which bears interest at the prime rate and matures May 2005. The 35,000 square foot, Westchester, NY property (New York City MSA), was formerly anchored by a 25,000 square foot Grand Union supermarket. The redeveloped property will include a 15,000 square foot Walgreen's drugstore, a 10,000 square foot junior anchor with the balance of space leased to shop tenants.

In May 2004, Fund I acquired a 50% interest in the Haygood Shopping Center and the Sterling Heights Shopping Center for an aggregate investment of \$3.2 million. These assets are part of the portfolio that the Company currently manages as a result of its January 2004 acquisition of certain management contracts. The Haygood Shopping Center is a 165,000 square foot shopping center located in Virginia Beach, VA. It is currently 69% occupied and anchored by Rose's Department Store and Eckerd Drug. Redevelopment of this property will most likely include the replacement of Rose's with a new supermarket anchor. The Sterling Heights Shopping Center, located in Sterling Heights, MI (suburb of Detroit), totals 141,000 square feet. The property is also 69% occupied and is anchored by Burlington Coat Factory. Redevelopment activities will include the complete renovation of the property and the re-leasing of the current vacancy.

### *2003 and 2002 Acquisitions*

Brandywine Portfolio - In January of 2003, Fund I acquired a major open-air retail complex located in Wilmington, Delaware. The approximately 1.0 million square foot value-based retail complex consists of the following two properties:

Market Square Shopping Center - A 103,000 square foot community shopping center (including a 15,000 square foot outparcel building) which is 100% leased and anchored by a T.J. Maxx and a Trader Joe's gourmet food market.

Brandywine Town Center - A two phase open-air value retail center. The first phase ("Phase I") is approximately 450,000 square feet and 100% occupied, with tenants including Lowe's, Bed Bath & Beyond, Regal Cinema, Michaels, Petsmart, Old Navy, Annie Sez, Thomasville Furniture and Dick's Sporting Goods. The second phase ("Phase II") consists of approximately 420,000 square feet of existing space, of which Target occupies 138,000 square feet and Bombay occupies 9,000 square feet. The balance of Phase II is currently not occupied.

The initial investment for this portfolio was approximately \$86.3 million, inclusive of closing and other related acquisition costs. Fund I will also pay additional amounts for the current vacant space in Phase II when and if it is leased and occupied (the "Earn-out"). To date, Fund I has incurred costs of \$20.6 million for Earn-out space. The additional investment for Earn-out space is projected to be between \$25.0 million and \$30.0 million.

**Kroger/Safeway Portfolio** – In January of 2003, Fund 1 formed a joint venture (the “Kroger/Safeway JV”) with an affiliate of real estate developer and investor AmCap Incorporated (“AmCap”) for the purpose of acquiring a portfolio of twenty-five supermarket leases for \$48.9 million inclusive of the closing and other related acquisition costs. The portfolio, which aggregates approximately 1.0 million square feet, consists of 25 anchor-only leases with Kroger (12 leases) and Safeway supermarkets (13 leases). The majority of the properties are free-standing and all are triple-net leases. The Kroger/Safeway JV acquired the portfolio subject to long-term ground leases with terms, including renewal options, averaging in excess of 80 years, which are master leased to a non-affiliated entity. The rental options for the supermarket leases at the end of their primary lease term in approximately five years (“Primary Term”) are at an average of \$5.13 per square foot. Although there is no obligation for the Kroger/Safeway JV to pay ground rent during the Primary Term, to the extent it exercises an option to renew a ground lease for a property at the end of the Primary Term, it will be obligated to pay an average ground rent of \$1.55 per square foot.

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

Location	Tenant	Gross leasable area (“GLA”)	Current rent	Rent upon initial option commencement	Lease expiration year/ Last option expiration year
Great Bend, KS	Kroger Co. (1)	48,000	\$ 3.87	\$ 2.40	2009/2049
Cincinnati, OH	Kroger Co.	32,200	8.69	5.36	2009/2049
Conroe, TX	Kroger Co. (2)	75,000	7.46	4.60	2009/2049
Harahan, LA	Kroger Co. (2)	60,000	7.44	4.61	2009/2049
Indianapolis, IN	Kroger Co.	34,000	6.28	3.87	2009/2049
Irving, TX	Kroger Co.	43,900	7.01	4.32	2009/2049
Pratt, KS	Kroger Co. (1)	38,000	6.11	3.78	2009/2049
Roanoke, VA	Kroger Co.	36,700	13.98	8.62	2009/2049
Shreveport, LA	Kroger Co.	45,000	11.30	6.96	2009/2049
Wichita, KS	Kroger Co. (1)	50,000	12.07	7.48	2009/2049
Wichita, KS	Kroger Co. (1)	40,000	11.25	6.97	2009/2049
Atlanta, TX	Safeway (3)	31,000	7.91	3.98	2009/2049
Batesville, AR	Safeway (1)	29,000	11.35	5.72	2009/2049
Benton, AR	Safeway (1)	33,500	9.35	4.71	2009/2049
Carthage, TX	Safeway (1)	27,700	8.17	4.12	2009/2049
Little Rock, AR	Safeway (1)	36,000	13.07	6.58	2009/2049
Longview, WA	Safeway	48,700	8.90	4.48	2009/2049
Mustang, OK	Safeway (1)	30,200	8.24	4.15	2009/2049
Roswell, NM	Safeway (2)	36,300	11.80	5.94	2009/2049
Ruidoso, NM	Safeway (1)	38,600	11.85	5.97	2009/2049
San Ramon, CA	Safeway	54,000	9.86	4.96	2009/2049
Springerville, AZ	Safeway	30,500	9.60	4.83	2009/2049
Tucson, AZ	Safeway	41,800	9.30	4.68	2009/2049
Tulsa, OK	Safeway (1)	30,000	9.84	4.96	2009/2049
Cary, NC	Kroger Co. (3)	48,000	7.38	4.55	2009/2049
	Total	1,018,100			

**Notes:**

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

**Ohio Portfolio** – In September of 2002, Fund I acquired three supermarket-anchored shopping centers located in Cleveland and Columbus, Ohio for a total purchase price of \$26.7 million. Additional information on these properties is included in Item 2 of this Form 10-K.

**OTHER INVESTMENTS**

In March of 2005, the Company invested \$20 million in a preferred equity position (“Preferred Equity”) with Levitz SL, L.L.C. (“Levitz SL”), the owner of 2.5 million square feet of fee and leasehold interests in 30 locations (the “Properties”), the majority of which are currently leased to Levitz Furniture Stores. Klaff is a managing member of Levitz SL. The Preferred Equity receives a return of 10%, plus a minimum return of capital of \$2 million per annum. At the end of 12 months, the rate of return will be reset to the six-month LIBOR plus 644 basis points. The Preferred Equity is redeemable at the option of Levitz SL at any time, although if redeemed during the first 12 months, the redemption price is equal to the outstanding amount of the Preferred Equity, plus the return calculated for the remainder of the 12-month period.

**ASSET SALES**

A significant component of the Company’s business has been its multi-year plan to dispose of non-core real estate assets. The Company began this initiative following the RDC Transaction and completed it in 2002. Non-core assets were identified based on factors including property type and location, tenant mix and potential income growth as well as whether a property complemented other assets within the Company’s portfolio. The Company sold 28 non-core assets in connection with this initiative comprising a total of approximately 4.6 million square feet of retail properties and 800 multi-family units, for a total sales price of \$158.4 million which generated net sale proceeds to the Company of \$82.5 million.

The Company also periodically identifies certain properties for disposition and redeploys the capital to existing centers or acquisitions with greater potential for capital appreciation. In 2004, the Company disposed of the East End Centre, a 308,000 square foot shopping center, formerly anchored by an Ames department store located in Wilkes-Barre, Pennsylvania for \$12.4 million.



## **PROPERTY REDEVELOPMENT AND EXPANSION**

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

The Company has re-anchored the Town Line Plaza, located in Rocky Hill, Connecticut, with a new Super Stop & Shop supermarket, replacing a former GU Markets supermarket. The former building was demolished and replaced with a 66,000 square foot Super Stop & Shop. The new supermarket anchor is paying gross rent at a 33% increase over that of the former tenant with no interruption in rent payments. Total costs incurred for this project totaled \$1.7 million.

## **FINANCIAL INFORMATION ABOUT MARKET SEGMENTS**

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the notes to the consolidated financial statements appearing in Item 8 of this Annual Report on Form 10-K. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain non-recurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with retail versus residential tenants. The Company does not have any foreign operations. See the consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K for certain information on industry segments as required by Item 1.

## **CORPORATE HEADQUARTERS AND EMPLOYEES**

The Company's executive offices are located at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, and its telephone number is (914) 288-8100. The Company has 129 employees, of which 65 are located at the executive office, 7 at the Pennsylvania regional office and the remaining property management personnel are located on-site at the Company's properties.

## **COMPANY WEBSITE**

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

## **CODE OF ETHICS AND WHISTLEBLOWER POLICIES**

During 2003, the Company's Board of Trustees adopted a Code of Ethics for Senior Financial Officers that applies to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and Assistant Controllers. The Board also adopted a Code of Business Conduct and Ethics applicable to all employees, as well as a "Whistleblower Policy". Copies of these documents are available in the Investor Information section of the Company's website.

## **RISK FACTORS**

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

**The Company relies on revenues derived from major tenants.**

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

Tenants may seek the protection of the bankruptcy laws, which could result in the rejection and termination of their leases and thereby cause a reduction in the cash flow available for distribution by the Company. Such reduction could be material if a major tenant files bankruptcy. See the discussion of bankruptcy risks under Risk Factors.

**Limited control over joint venture investments.**

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

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

**The Company operates through a partnership structure, which could have an adverse effect on the Company's ability to manage the Company's assets.**

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

**There are risks relating to investments in real estate.**

*Value of Real Estate is Dependent on Numerous Factors.* Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the quality and philosophy of management, competition from other available space, the ability of the owner to provide adequate maintenance and insurance and to control variable operating costs. Shopping centers, in particular, may be affected by changing perceptions of retailers or shoppers regarding the safety, convenience and attractiveness of the shopping center and by the overall climate for the retail industry generally. Real estate values are also affected by such factors as government regulations, interest rate levels, the availability of financing and potential liability under, and changes in, environmental, zoning, tax and other laws. As substantially all of the Company's income is derived from rental income from real property, the Company's income and cash flow would be adversely affected if a significant number of the Company's tenants were unable to meet their obligations, or if the Company were unable to lease on economically favorable terms a significant amount of space in the Company's properties. In the event of default by a tenant, the Company may experience delays in enforcing, and incur substantial costs to enforce, the Company's rights as a landlord. In addition, certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment.

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

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

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

Since January 1, 2002, there have been three significant tenant bankruptcies within the Company's portfolio. On January 22, 2002 Kmart filed for protection under Chapter 11 Bankruptcy. This tenant currently operates in five locations in the Company's wholly-owned portfolio totaling approximately 520,000 square feet. Rental revenues from Kmart at these locations totaled \$2.7 million, \$2.8 million and \$2.7 million for the years ended December 31, 2004, 2003 and 2002, respectively. Kmart also operated in a location occupying 101,000 square feet at a property in which the Company holds a 49% ownership interest. The Company's pro-rata share of rental revenues from the tenant at this location were \$0.6 million for each of the years ended December 31, 2004, 2003 and 2002, respectively. On May 5, 2003, Kmart emerged from bankruptcy and continues to operate at all of the above locations.

On May 30, 2003, The Penn Traffic Company ("Penn Traffic") filed for protection under Chapter 11 Bankruptcy. Penn Traffic operates in one location in the Company's wholly-owned portfolio in 52,000 square feet. Rental revenues from this tenant at this location were \$0.5 million for each of the years ended December 31, 2004, 2003 and 2002, respectively. Penn Traffic also operated in a location occupying 55,000 square feet at a property in which the Company, through Fund I, holds a 22% ownership interest. The Company's pro-rata share of rental revenues from the tenant at this location were \$22,000, \$147,000 and \$36,000 for the years ended December 31, 2004, 2003 and 2002, respectively. Penn Traffic continues to operate in the Company's wholly-owned location and has assumed this lease. Penn Traffic rejected the lease at the Fund I location on February 20, 2004.

On January 14, 2004, KB Toys ("KB") filed for protection under Chapter 11 Bankruptcy. KB operated in five locations in the Company's wholly-owned portfolio totaling approximately 41,000 square feet. Rental revenues from KB at these locations aggregated \$ 0.8 million, \$0.7 million and \$0.7 million for the years ended December 31, 2004, 2003 and 2002, respectively. KB also operated in a location occupying 20,000 square feet at a property in which the Company holds a 22% ownership interest. Through Fund I, the Company's pro-rata share of rental revenues from the tenant at this location were \$37,000, \$87,000 and \$0 for the years ended December 31, 2004, 2003 and 2002, respectively. KB rejected the lease at two of the locations and continues to operate in three of the Company's wholly-owned location but has neither assumed nor rejected these three leases. The tenant has rejected the lease at the Fund I property.

**The Company could be adversely affected by poor market conditions where properties are geographically concentrated.**

The Company's performance depends on the economic conditions in markets in which the Company's properties are concentrated. The Company has significant exposure to the New York region, from which the Company derives 29% of the annual base rents within its wholly-owned portfolio. The Company's operating results could be adversely affected if market conditions, such as an oversupply of space or a reduction in demand for real estate, in this area becomes more competitive relative to other geographic areas.

**The Company's ability to change the Company's portfolio is limited because real estate investments are illiquid.**

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

**Market interest rates could have an adverse effect on the Company's share price.**

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

**The Company could become highly leveraged, resulting in increased risk of default on the Company's obligations and in an increase in debt service requirements which could adversely affect the Company's financial condition and results of operations and the Company's ability to pay distributions .**

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

The Company's loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios. In addition, as of December 31, 2004, loans secured by five of the Company's properties, totaling \$44.5 million, are subject to cross-collateralization and cross-default provisions and two loans, aggregating \$29.9 million, are also subject to cross- collateralization and cross-default provisions.

Interest expense on the Company's variable debt as of December 31, 2004 would increase by \$70,000 annually for a 100 basis point increase in interest rates. The Company may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, the Company would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

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

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

#### **Possible liability relating to environmental matters.**

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

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

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

- the discovery of previously unknown environmental conditions;
- changes in law;
- activities of tenants; or
- activities relating to properties in the vicinity of the Company's properties.



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

**Competition may adversely affect the Company's ability to purchase properties and to attract and retain tenants.**

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than the Company has that compete with the Company in seeking properties for acquisition and tenants who will lease space in the Company's properties. The Company's competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that the Company wishes to purchase.

In addition, retailers at the Company's properties face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing, which could (i) reduce rents payable to the Company; (ii) reduce the Company's ability to attract and retain tenants at the Company's properties; and (iii) lead to increased vacancy rates at the Company's properties.

**The Company has pursued, and may in the future continue to pursue extensive growth opportunities which may result in significant demands on the Company's operational, administrative and financial resources.**

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

**The Company's inability to carry out the Company's growth strategy could adversely affect the Company's financial condition and results of operations.**

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

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

**The Company's board of trustees may change the Company's investment policy without shareholder approval.**

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

**There can be no assurance that the Company has qualified or will remain qualified as a REIT for federal income tax purposes.**

The Company believes that the Company has met the requirements for qualification as a REIT for federal income tax purposes beginning with the Company's taxable year ended December 31, 1993, and the Company intends to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code, for which there are only limited judicial or administrative interpretations. No assurance can be given that the Company has qualified or will remain qualified as a REIT. The Internal Revenue Code provisions and income tax regulations applicable to REITs are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within the Company's control may affect the Company's ability to continue to qualify as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income



tax consequences of such qualification. If the Company does not qualify as a REIT, the Company would not be allowed a deduction for distributions to shareholders in computing the Company's net taxable income. In addition, the Company's income would be subject to tax at the regular corporate rates. The Company also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available for distribution to the Company's shareholders would be significantly reduced for each year in which the Company does not qualify as a REIT. In that event, the Company would not be required to continue to make distributions. Although the Company currently intends to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause the Company, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

**Distribution requirements imposed by law limit the Company's operating flexibility.**

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

**Uninsured losses or a loss in excess of insured limits could adversely affect the Company's financial condition.**

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

**Limits on ownership of the Company's capital shares.**

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

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

**Adverse legislative or regulatory tax changes could have an adverse effect on the Company.**

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

**Concentration of ownership by certain investors.**

Four shareholders own more than 5% individually, and 35.4% in the aggregate, of the Company's Common Shares. A significant concentration of ownership may allow an investor to exert a greater influence over the Company's management and affairs and may have the effect of delaying, deferring or preventing a change in control of the Company.

**Restrictions on a potential change of control.**

The Company's Board of Trustees is authorized by the Company's Declaration of Trust to establish and issue one or more series of preferred shares without shareholder approval. The Company has not established any series of preferred shares, however the establishment and issuance of a series of preferred shares could make more difficult a change of control of the Company that could be in the best interest of the shareholders.

In addition, the Company has entered into an employment agreement with the Chief Executive Officer of the Company and severance agreements are in place with the Company's senior vice presidents which provide that, upon the occurrence of a change in control of the Company, those executive officers would be entitled to certain termination or severance payments made by the Company (which may include a lump sum payment equal to defined percentages of annual salary and prior years' average bonuses, paid in accordance with the terms and conditions of the respective agreement), which could deter a change of control of the Company that could be in the Company's best interest.

**The loss of a key executive officer could have an adverse effect on the Company.**

The success of the Company depends on the contribution of key management members. The loss of the services of Kenneth F. Bernstein, President and Chief Executive Officer, or other key executive-level employees could have a material adverse effect on the Company's results of operations. Although the Company has entered into an employment agreement with the Company's President, Kenneth F. Bernstein, the loss of his services could have an adverse effect on the Company's operations. Although the Company's Board of Trustees has addressed and will continue to review succession plans and procedures with respect to all of the key management members, there can be no assurance that such succession planning will be effective.

**ITEM 2. PROPERTIES**

**SHOPPING CENTER PROPERTIES**

The discussion and tables in Item 2 includes properties held through joint ventures in which the Company owns a partial interest ("Joint Venture Portfolio"). Except where noted, it does not include the Company's partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets as previously discussed in "PROPERTY ACQUISITIONS" in Item 1 of this Form 10-K, as the majority of these properties are free-standing and all are triple-net leases.

As of December 31, 2004, the Company owned and operated 42 shopping centers as part of its wholly-owned portfolio and the Joint Venture Portfolio, which included a mixed-use property (retail and residential), seven properties under redevelopment and one property under development. The Company's shopping centers, which total approximately 7.4 million square feet of gross leasable area ("GLA"), are located in 15 states and are generally well-established, anchored community and neighborhood shopping centers. The operating properties are diverse in size, ranging from approximately 31,000 to 619,000 square feet with an average size of 204,000 square feet. As of December 31, 2004, the Company's wholly-owned portfolio and the Joint Venture Portfolio (excluding properties under redevelopment) were 92.3% and 96.8% occupied, respectively. The Company's shopping centers are typically anchored by supermarkets or value-oriented retail.

The Company had approximately 620 leases as of December 31, 2004, of which 59% of the rental revenues received therefrom were from national tenants. A majority of the income from the properties consists of rent received under long-term leases. Most of these leases provide for the payment of fixed minimum rent monthly in advance and for the payment by tenants of a pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. Minimum rents and expense reimbursements accounted for approximately 89% of the Company's total revenues for the year ended December 31, 2004.

As of December 31, 2004, approximately 52% of the Company's existing leases also provided for the payment of percentage rents either in addition to, or in place of, minimum rents. These arrangements generally provide for payment to the Company of a certain percentage of a tenant's gross sales in excess of a stipulated annual amount. Percentage rents accounted for approximately 1% of the total 2004 revenues of the Company.

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

No individual property contributed in excess of 10% of the Company's total revenues for the years ended December 31, 2004, 2003 and 2002.

Reference is made to the Company's consolidated financial statements in Item 8 of this Annual Report on Form 10-K for information on the mortgage debt pertaining to the Company's properties.

The following sets forth more specific information with respect to each of the Company's shopping centers at December 31, 2004:

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1) % 12/31/04	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
<b>NEW YORK REGION</b>						
<u>New York</u>						
Soundview Marketplace	Port Washington	1998 (A)	LI/Fee (5)	184,516	90%	King Kullen 2007/2022 Clearview Cinema 2010/2030
Village Commons Shopping Center	Smithtown	1998 (A)	Fee	87,306	100%	Daffy's 2008/2028 Walgreens 2021/none
Branch Shopping Plaza	Smithtown	1998 (A)	LI (5)	125,676	100%	Waldbaum's 2013/2028
New Loudon Center	Latham	1982 (A)	Fee	255,089	100%	Price Chopper 2015/2035 Marshall's 2014/2029 Bon Ton 2014/2034 Raymour & Flanigan 2019/2034
Pacesetter Park Shopping Center	Pomona	1999 (A)	Fee	96,646	89%	Stop & Shop 2020/2040
<u>New Jersey</u>						
Elmwood Park Shopping Center	Elmwood Park	1998 (A)	Fee	149,085	100%	Pathmark 2017/2052 Walgreen's 2022/2062
Marketplace of Absecon	Absecon	1998 (A)	Fee	105,093	94%	Acme 2015/2055 Eckerd Drug 2020/2040
Berlin Shopping Center	Berlin	1994 (A)	Fee	188,688	79%	Acme 2005/2015 Kmart 2009/2049
Ledgewood Mall	Ledgewood	1983 (A)	Fee	517,632	87%	Wal*Mart 2019/2049 Macy's 2005/2025 The Sports' Authority 2007/2037 Circuit City 2020/2040 Marshall's 2007/2027
<b>NEW ENGLAND REGION</b>						
<u>Connecticut</u>						
Town Line Plaza	Rocky Hill	1998(A)	Fee	206,178(2)	100%	Stop & Shop 2023/2063 Wal*Mart(2)
239 Greenwich Avenue	Greenwich	1998(A)	Fee	16,834(3)	100%	Restoration Hardware 2015/2025 Chico's Fashion 2010/2020 (4)
<u>Massachusetts</u>						
Methuen Shopping Center	Methuen	1998(A)	LI/Fee (5)	130,238	100%	DeMoulas Market 2005/2015 Wal*Mart 2011/2051
Crescent Plaza	Brockton	1984(A)	Fee	218,277	100%	Shaw's 2012/2042 Home Depot 2021/2056
<u>Rhode Island</u>						
Walnut Hill Plaza	Woonsocket	1998(A)	Fee	285,829	99%	Shaw's 2013/2043 Sears 2008/2033
<u>Vermont</u>						
The Gateway Shopping Center	South Burlington	1999(A)	Fee	101,861	91%	Shaw's 2024/2054
<b>MIDWEST REGION</b>						
<u>Illinois</u>						
Hobson West Plaza	Naperville	1998 (A)	Fee	99,044	100%	Bobak's Market & Restaurant 2007/2032
<u>Indiana</u>						
Merrillville Plaza	Merrillville	1998 (A)	Fee	235,605	98%	TJ Maxx 2009/2014 JC Penney 2008/2018 Office Max 2008/2028
<u>Michigan</u>						
Bloomfield Town Square	Bloomfield Hills	1998 (A)	Fee	222,320	96%	TJ Maxx 2009/2014 Marshalls 2011/2026 Home Goods 2010/2025
<u>Ohio</u>						
Mad River Station	Dayton	1999 (A)	Fee	151,063(7)	82%	Babies 'R' Us 2010/2020 Office Depot 2005/2010

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1) % 12/31/04	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
<b>MID-ATLANTIC REGION</b>						
<u>Pennsylvania</u>						
Abington Towne Center	Abington	1998 (A)	Fee	216,355(6)	99%	TJ Maxx 2010/2020 Target (6)
Blackman Plaza	Wilkes-Barre	1968 (C)	Fee	121,341	92%	Kmart 2009/2049
Bradford Towne Centre	Towanda	1993 (C)	Fee	256,939	89%	P&C Foods 2014/2024 Kmart 2019/2069
Greenridge Plaza	Scranton	1986 (C)	Fee	194,760	78%	Giant Food 2021/2051
Luzerne Street Shopping Center	Scranton	1983 (A)	Fee	57,988	27%	Eckerd Drug 2009/2019
Mark Plaza	Edwardsville	1968 (C)	LI/Fee (5)	214,036	98%	Redner's Markets 2018/2028 Kmart 2009/2054
Pittston Plaza	Pittston	1994 (C)	Fee	79,494	100%	Redner's Markets 2018/2028 Eckerd Drug 2006/2016
Plaza 422	Lebanon	1972 (C)	Fee	155,026	69%	Home Depot 2021/2056
Route 6 Mall	Honesdale	1994 (C)	Fee	175,507	99%	Weis Markets (not owned) Kmart 2020/2070
Wholly-owned portfolio				4,848,426	92%	

**PROPERTIES HELD IN JOINT VENTURES**

Shopping Center	Location	Year Constructed (C) Acquired(A)	Ownership Interest	GLA	Occupancy (1) % 12/31/04	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
<b>NEW YORK REGION</b>						
<u>New York</u>						
Crossroads Shopping Center	White Plains	1998(A)	JV (8)	310,644	100%	Waldbaum's 2007/2032 Kmart 2012/2037 B. Dalton 2012/2022 Modell's 2009/2019
<b>MID-ATLANTIC REGION</b>						
<u>Delaware</u>						
Brandywine Town Center	Wilmington	2003(A)	JV (10)	619,028	100%	(9)
Market Square Shopping Center	Wilmington	2003(A)	JV (10)	102,762	100%	Trader Joe's 2013/2028 TJ Maxx 2006/2016
<b>MIDWEST REGION</b>						
<u>Ohio</u>						
Amherst Marketplace	Cleveland	2002(A)	JV (10)	79,937	100%	Giant Eagle 2021/2041
Granville Centre	Columbus	2002(A)	JV (10)	131,543	45%	California Fitness 2017/2027
Sheffield Crossing	Cleveland	2002(A)	JV (10)	112,534	96%	Giant Eagle 2022/2042
<b>VARIOUS REGIONS</b>						
Kroger/Safeway Portfolio	Various	2003 (A)	JV (10)	1,018,100	100%	25 Kroger/Safeway Supermarkets 2009/2049
<b>JV REDEVELOPMENTS</b>						
<u>Michigan</u>						
Sterling Heights Shopping Center	Detroit	2004(A)	JV (10)	154,597	65%	Burlington Coat Factory 2024/--
<u>New York</u>						
Tarrytown Shopping Center	Westchester	2004(A)	JV (10)	35,877	25%	Walgreen's (under construction)
400 E. Fordham Road	Bronx	2004(A)	JV (11)	117,355	100%	Sears 2007/--
Pelham Manor Shopping Plaza	Westchester/ Bronx	2004(A)	JV (5)(11)	412,275	89%	
<u>South Carolina</u>						
Hitchcock Plaza	Aiken	2004(A)	JV (10)	233,563	56%	Kroger Supermarket 2007/2032
Pine Log Plaza	Aiken	2004(A)	JV (10)	35,064	97%	
<u>Virginia</u>						
Haygood Shopping Center	Virginia Beach	2004(A)	JV (10)	161,604	69%	Rose's Department Store 2009/--
Joint Venture Portfolio				3,524,883	90%	



## Notes:

- (1) Does not include space leased for which rent has not yet commenced.
- (2) Includes a 92,500 square foot Wal\*Mart which is not owned by the Company.
- (3) In addition to the 16,834 square feet of retail GLA, this property also has 21 apartments comprising 14,434 square feet.
- (4) Chico's exercised an option to terminate its lease at this location subsequent to year-end. The lease was for 4,571 square feet at \$71 psf.
- (5) The Company is a ground lessee under a long-term ground lease.
- (6) Includes a 157,616 square foot Target Store that is not owned by the Company
- (7) The GLA for this property includes 28,205 square feet of office space.
- (8) The Company has a 49% investment in this property.
- (9) Does not include 240,000 square feet of new space in Phase II of the Brandywine Town Center, which will be paid for by the Company on an Earn-out basis only if, and when, it is leased.
- (10) The Company has invested in this asset through Fund I.
- (11) The Company has invested in this asset through Fund II

**MAJOR TENANTS**

No individual retail tenant accounted for more than 6.3% of minimum rents for the year ended December 31, 2004 or 11.6% of total leased GLA as of December 31, 2004. The following table sets forth certain information for the 20 largest retail tenants based upon minimum rents in place as of December 31, 2004. The table includes leases related to the Company's partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets. The below amounts include the Company's pro-rata share of GLA and annualized base rent for its partial ownership interest in properties (GLA and rent in thousands):

Retail Tenant	Number of Stores in Portfolio	Total GLA	Annualized Base Rent (1)	Percentage of Total Represented by Retail Tenant	
				Total Portfolio GLA (2)	Annualized Base Rent (2)
Albertson's (Shaw's, Acme)	5	253	\$ 3,276	4.5%	6.3%
Sears (Sears, Kmart)	7	648	2,455	11.6%	4.7%
T.J. Maxx (T.J. Maxx, Marshalls, A.J. Wrights)	10	296	2,119	5.3%	4.1%
Ahold (Giant, Stop & Shop)	3	179	1,559	3.2%	3.0%
Wal*Mart	2	210	1,515	3.8%	2.9%
A&P (Waldbaum's)	2	82	1,168	1.5%	2.2%
Brook's Drug	9	93	1,140	1.7%	2.2%
Home Depot	2	211	1,010	3.8%	1.9%
Pathmark	1	48	955	0.9%	1.8%
Restoration Hardware	1	12	930	0.2%	1.8%
Redners Supermarket	2	112	863	2.0%	1.7%
Kroger (3)	12	132	844	2.4%	1.6%
Safeway (4)	13	104	777	1.9%	1.5%
Price Chopper	2	77	764	1.4%	1.5%
Federated (Macy's)	1	73	611	1.3%	1.2%
Clearview Cinema (5)	1	25	596	0.5%	1.1%
JC Penney	2	73	592	1.3%	1.1%
Walgreen's	2	24	589	0.4%	1.1%
King Kullen	1	48	563	0.9%	1.1%
Blockbuster Video	5	23	512	0.4%	1.0%
<b>Total</b>	<b>83</b>	<b>2,723</b>	<b>\$ 22,838</b>	<b>49.0%</b>	<b>43.8%</b>

## Notes:

- (1) Base rents do not include percentage rents (except where noted), additional rents for property expense reimbursements, and contractual rent escalations due after December 31, 2004.
- (2) Represents total GLA and annualized base rent for the Company's retail properties including its pro-rata share of Joint Venture Properties.
- (3) Kroger has sub-leased four of these locations to supermarket tenants, two locations to a non-supermarket tenant and ceased operations at one other location. Kroger is obligated to pay rent through the full term of these leases which expire in 2009.
- (4) Safeway has sub-leased seven of these locations to supermarket tenants, one location to a non-supermarket tenant and ceased operations at one other location. Safeway is obligated to pay rent through the full term of all these leases which expire in 2009.
- (5) Subsidiary of Cablevision.

**LEASE EXPIRATIONS**

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 2004, assuming that none of the tenants exercise renewal options. 255,000 square feet of GLA owned by anchor tenants are not included in the below table. Leases related to the Company's joint venture properties are shown separately below before the Company's pro-rata share of annual base rent and GLA (GLA and rent in thousands):

**Wholly-Owned Portfolio:**

Leases maturing in	Number of Leases	Annualized Base Rent (1)		GLA	
		Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2005	73	\$ 4,746	11%	428	10%
2006	59	2,684	6%	207	5%
2007	60	4,058	9%	379	9%
2008	58	4,348	10%	330	8%
2009	61	4,499	10%	619	15%
2010	23	2,986	7%	250	6%
2011	18	2,138	5%	195	5%
2012	9	977	2%	70	2%
2013	15	2,316	5%	159	4%
2014	23	2,387	5%	306	7%
Thereafter	33	12,562	30%	1,276	29%
<b>Total</b>	<b>432</b>	<b>\$ 43,701</b>	<b>100%</b>	<b>4,219</b>	<b>100%</b>

**Joint Venture Portfolio:**

Leases maturing in	Number of Leases	Annualized Base Rent (1)		GLA	
		Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2005	67	\$ 3,127	9%	338	11%
2006	25	1,519	4%	91	3%
2007	36	3,357	10%	395	13%
2008	22	1,355	4%	68	2%
2009	73	10,632	31%	1,169	37%
2010	2	135	0%	9	0%
2011	7	1,762	5%	76	2%
2012	7	1,374	4%	139	4%
2013	7	2,009	6%	117	4%
Thereafter	25	9,188	27%	765	24%
<b>Total</b>	<b>271</b>	<b>\$ 34,458</b>	<b>100%</b>	<b>3,167</b>	<b>100%</b>

## Note:

- (1) Base rents do not include percentage rents, additional rents for property expense reimbursements, nor contractual rent escalations due after December 31, 2004.

## GEOGRAPHIC CONCENTRATIONS

The following table summarizes the Company's retail properties by region as of December 31, 2004. (GLA and rent in thousands):

Region	GLA (1)	Occupied % (2)	Annualized Base Rent (2)	Annualized Base Rent per Leased Square Foot	Percentage of Total Represented by Region	
					GLA	Annualized Base Rent
<b>Wholly-Owned Portfolio:</b>						
New York Region	660	96%	\$ 12,688	\$ 20.11	14%	29%
New England	1,197	99%	9,713	8.92	25%	22%
Midwest	708	94%	7,706	11.57	14%	18%
Mid-Atlantic	1,028	89%	7,499	9.94	21%	17%
Northeastern Pennsylvania	1,255	86%	6,095	5.65	26%	14%
<b>Total Wholly-Owned Portfolio</b>	<b>4,848</b>	<b>92%</b>	<b>\$ 43,701</b>	<b>\$ 10.36</b>	<b>100%</b>	<b>100%</b>
<b>Joint Venture Portfolio:</b>						
<b>Operating Properties</b>						
Midwest (3)	324	76%	\$ 2,646	\$ 10.68	24%	17%
Mid-Atlantic (3,4)	722	100%	10,988	15.22	53%	54%
New York Region (5)	311	100%	5,888	19.00	23%	29%
<b>Total Operating Properties</b>	<b>1,357</b>	<b>94%</b>	<b>19,522</b>	<b>15.26</b>	<b>100%</b>	<b>100%</b>
<b>Redevelopment Properties</b>						
Midwest (6)	155	65%	519	5.15	14%	9%
Mid-Atlantic (6)	430	64%	1,923	6.97	37%	34%
New York Region (7)	565	87%	3,179	6.45	49%	57%
<b>Total Redevelopment Properties</b>	<b>1,150</b>	<b>76%</b>	<b>5,621</b>	<b>6.46</b>	<b>100%</b>	<b>100%</b>
<b>Total Joint Venture Portfolio</b>	<b>2,507</b>	<b>86%</b>	<b>\$ 25,143</b>	<b>\$ 11.70</b>	<b>100%</b>	<b>100%</b>

Notes :

- Property GLA includes a total of 255 square feet which is not owned by the Company. This square footage has been excluded for calculating annualized base rent per square foot.
- The above occupancy and rent amounts do not include space which is currently leased, but for which rent payment has not yet commenced
- The Company has a 22% interest in Fund I which owns these properties.
- Does not include 230,000 square feet of new space in Phase II of the Brandywine Town Center, which will be paid for by the Company on an "earnout basis" only if, and when it is leased.
- The Company has a 49% interest in two partnerships which, together, own the Crossroads Shopping Center.
- The Company has a 22% interest in Fund I which has interests ranging from 50% to 90% of these properties.
- The Company has a 22% interest in Fund I which owns 50% of the Tarrytown Shopping Center and a 20% interest in Fund II which owns 90% of 400 East Fordham Road and Pelham Manor Shopping Plaza.
- Does not include any of the Mervyn's locations through the RCP Venture

## MULTI-FAMILY PROPERTIES

The Company owns two multi-family properties located in the Mid-Atlantic and Midwest regions. The properties average 737 units and as of December 31, 2004, had an average occupancy rate of 91%. The following sets forth more specific information with respect to each of the Company's multi-family properties at December 31, 2004:

Multi-Family Property	Location	Year Acquired	Ownership Interest	Units	% Occupied
<b>Missouri (1)</b>					
Gate House, Holiday House, Tiger Village and Colony Apartments	Columbia	1998	Fee	874	96%
<b>North Carolina</b>					
Village Apartments	Winston Salem	1998	Fee	600	84%
<b>Totals</b>				<b>1,474</b>	<b>91%</b>

Notes:

- The Company owns four contiguous residential complexes in Columbia, Missouri which, although owned in two separate entities, are managed as a single property and therefore reflected as such.





**ITEM 3. LEGAL PROCEEDINGS**

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

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

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of 2004.

## PART II

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

## (a) Market Information

The following table shows, for the period indicated, the high and low sales price for the Common Shares as reported on the New York Stock Exchange, and cash dividends paid during the two years ended December 31, 2004 and 2003:

Quarter Ended	High	Low	Dividend Per Share
<u>2004</u>			
March 31, 2004	\$ 15.00	\$ 12.36	\$ 0.16
June 30, 2004	14.30	11.38	0.16
September 30, 2004	15.11	13.03	0.16
December 31, 2004	16.49	14.70	0.1725
<u>2003</u>			
March 31, 2003	\$ 8.15	\$ 7.40	\$ 0.145
June 30, 2003	9.25	8.02	0.145
September 30, 2003	11.50	9.06	0.145
December 31, 2003	12.68	10.81	0.16

At March 14, 2005, there were 350 holders of record of the Company's Common Shares.

## (b) Dividends

The Company has determined that for 2004, 59% of the total dividends distributed to shareholders represented ordinary income, 32% represented unrecaptured section 1250 gain and 9% represented nontaxable return of capital. The Company's cash flow is affected by a number of factors, including the revenues received from rental properties, the operating expenses of the Company, the interest expense on its borrowings, the ability of lessees to meet their obligations to the Company and unanticipated capital expenditures. Future dividends paid by the Company will be at the discretion of the Trustees and will depend on the actual cash flows of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant.

## (c) Issuer purchases of equity securities

The Company has an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of the Company's outstanding Common Shares. Through March 14, 2005, the Company had repurchased 2.1 million Common Shares at a total cost of \$11.7 million of which 1.4 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 the Company will purchase the full amount authorized. There were no Common Shares repurchased by the Company during the fourth quarter of the fiscal year ended December 31, 2004.

## (d) Securities authorized for issuance under equity compensation

The following table provides information related to the Company's 1999 Share Incentive Plan (the "1999 Plan") and 2003 Share Incentive Plan (the "2003 Plan") as of December 31, 2004:

## Equity Compensation Plan Information

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
Equity compensation plans approved by security holders	464,650	\$ 6.61	3,108,610(1)
Equity compensation plans Not approved by security holders	—	—	—
Total	464,650	\$ 6.61	3,108,610(1)

## Notes:

- (1) The 1999 and 2003 Plans authorize the issuance of options equal to up to a total of 12% of the total Common Shares outstanding from time to time on a fully diluted basis. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 and 2003 Plans. Remaining available is based on 31,340,637 outstanding Common Shares and 392,255 OP Units as of December 31, 2004, less the issuance of a total of 234,687 restricted shares granted through the same date.

**ITEM 6. SELECTED FINANCIAL DATA**

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

	Years ended December 31,				
	2004	2003	2002	2001	2000
<b>OPERATING DATA:</b>					
Revenues	\$ 72,856	\$ 67,847	\$ 67,055	\$ 58,517	\$ 60,628
Operating expenses	34,401	33,929	30,224	28,404	28,115
Interest expense	10,446	9,954	9,720	11,055	14,726
Depreciation and amortization	15,650	17,374	14,221	13,196	12,583
Abandoned project costs	—	—	274	—	—
Gain in sale of land	932	1,187	1,530	—	—
Equity in earnings of unconsolidated partnerships	1,797	2,411	628	504	645
Minority interest	(1,197)	(1,433)	(3,032)	(1,421)	(1,827)
Income from continuing operations	13,891	8,755	11,742	4,945	4,022
Income (loss) from discontinued operations	5,694	(902)	7,657	5,006	15,885
Income before cumulative effect of a change in accounting principle	19,585	7,853	19,399	9,951	19,907
Cumulative effect of a change in accounting principle	—	—	—	(149)	—
Net income	\$ 19,585	\$ 7,853	\$ 19,399	\$ 9,802	\$ 19,907
<b>Basic earnings per share:</b>					
Income from continuing operations	\$ 0.47	\$ 0.33	\$ 0.47	\$ 0.17	\$ 0.15
Income (loss) from discontinued operations	0.20	(0.03)	0.30	0.19	0.60
Cumulative effect of a change in accounting principle	—	—	—	(0.01)	—
Basic earnings per share	\$ 0.67	\$ 0.30	\$ 0.77	\$ 0.35	\$ 0.75
<b>Diluted earnings per share:</b>					
Income from continuing operations	\$ 0.46	\$ 0.32	\$ 0.46	\$ 0.17	\$ 0.15
Income (loss) from discontinued operations	0.19	(0.03)	0.30	0.19	0.60
Cumulative effect of a change in accounting principle	—	—	—	(0.01)	—
Diluted earnings per share	\$ 0.65	\$ 0.29	\$ 0.76	\$ 0.35	\$ 0.75
<b>Weighted average number of Common Shares outstanding</b>					
- basic	29,341	26,640	25,321	28,313	26,437
- diluted (1)	29,912	27,232	25,806	—	—
Cash dividends declared per Common Share	\$ 0.6525	\$ 0.61	\$ 0.52	\$ 0.48	\$ 0.48
<b>BALANCE SHEET DATA:</b>					
Real estate before accumulated depreciation	\$ 422,177	\$ 414,138	\$ 400,538	\$ 385,103	\$ 374,422
Total assets	396,343	388,184	410,935	493,939	523,611
Total mortgage indebtedness	153,361	174,847	186,516	195,390	177,427
Minority interest – Operating Partnership	5,743	7,875	22,745	37,387	48,959
Total equity	216,924	169,734	161,323	179,098	179,317
<b>OTHER:</b>					
Funds from Operations (2)	\$ 30,004	\$ 27,664	\$ 30,162	\$ 13,487	\$ 31,789
<b>Cash flows provided by (used in):</b>					
Operating activities	23,823	18,578	29,466	20,521	19,197
Investing activities	(14,726)	(19,400)	48,095	(11,199)	(11,165)
Financing activities	(9,757)	(30,187)	(66,531)	(7,047)	(45,948)

Notes:

- (1) For 2000 and 2001, the weighted average number of shares outstanding on a diluted basis is not presented as the inclusion of additional shares was anti-dilutive.
- (2) The Company considers funds from operations (“FFO”) as defined by the National Association of Real Estate Investment Trusts (“NAREIT”) to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. However, the Company’s method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by generally accepted accounting principles (“GAAP”) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company’s performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. See Management’s Discussion and Analysis of Financial Condition and Results of Operations – Funds from Operations for the reconciliation of net income to FFO.

## **ITEM 7. MANagements Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the consolidated financial statements of the Company (including the related notes thereto) appearing elsewhere in this Annual Report on Form 10-K. Certain statements contained in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe the Company’s future plans, strategies and expectations are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend” or “project” or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to those set forth under the heading “Risk Factors” in this Annual Report on Form 10-K. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

### **OVERVIEW**

The Company currently operates 69 properties, which it owns or has an ownership interest in, consisting of 64 neighborhood and community shopping centers, one shopping center under development, one enclosed mall, one mixed-use property (retail/residential) and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States and, in total, comprise approximately 9.6 million square feet. The Company receives income primarily from the rental revenue from its properties, including recoveries from tenants, offset by operating and overhead expenses.

The Company focuses on three primary areas in executing its business plan as follows:

- Focus on maximizing the return on its existing portfolio through leasing and property redevelopment activities. The Company’s redevelopment program is a significant and ongoing component of managing its existing portfolio and focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.
- Pursue above-average returns through a disciplined and opportunistic acquisition program. The primary conduits for the Company’s acquisition program are through its existing acquisition joint ventures, Funds I and II, as well as the RCP Venture established to invest in surplus or underutilized properties owned or controlled by retailers and the New York Urban Infill Redevelopment initiative which focuses on investing in redevelopment projects in urban, dense areas where retail tenant demand has effectively surpassed the supply of available sites.
- Maintain a strong balance sheet, which provides the Company with the financial flexibility to fund both property redevelopment and acquisition opportunities.

### **RESULTS OF OPERATIONS**

#### **Comparison of the year ended December 31, 2004 (“2004”) to the year ended December 31, 2003 (“2003”)**

Total revenues increased \$5.0 million to \$72.8 million for 2004 compared to \$67.8 million for 2003.

Minimum rents increased \$2.6 million, or 5%, to \$51.5 million for 2004 compared to \$48.9 million for 2003. This increase was attributable to an increase in rents following the redevelopment of the Gateway shopping center in 2003 and an increase in rents from re-tenanting activities as well as increased occupancy across the portfolio.

In total, expense reimbursements increased \$0.1 million, or 1%, from \$13.2 million for 2003 to \$13.3 million for 2004. Real estate tax reimbursements increased \$0.4 million primarily as a result of general increases in real estate taxes as well as re-tenanting activities throughout the portfolio. CAM expense reimbursements decreased \$0.3 million, or 4%, from \$6.4 million in 2003 to \$6.1 million in 2004. This resulted primarily from tenant reimbursements of lower snow removal costs in 2004 offset by increased tenant reimbursements following re-tenanting activities across the portfolio.

Management fee income increased \$2.8 million, or 142%, to \$4.8 million in 2004 from \$2.0 million in 2003. This was the result of asset management fees from Fund II and an increase in management fees related to the acquisition of certain management contract rights in 2004.

Interest income increased in 2004 by \$0.7 million. This net change was a combination of additional interest income on the Company's advances and notes receivable originated in 2004 offset by lower interest earning cash deposits in 2004.

Other income decreased \$1.0 million, from \$1.2 million in 2003 to \$0.2 million in 2004. This was primarily due to a lump sum additional rent payment of \$1.2 million received from a former tenant during 2003 in connection with the re-anchoring of the Branch Plaza.

Total operating expenses decreased \$1.2 million, or 2%, to \$50.1 million for 2004, from \$51.3 million for 2003.

Property operating expenses increased \$0.2 million, or 1%, to \$14.9 million for 2004 compared to \$14.7 million for 2003. This was a result primarily of a non-recurring charge of approximately \$0.7 million related to flood damage at the Mark Plaza in 2004 offset by higher snow removal costs during 2003.

Real estate taxes increased \$0.5 million, or 7%, from \$8.5 million in 2003 to \$9.0 million in 2004. This increase was primarily attributable to a real estate tax refund received in 2003 related to the appeal of taxes paid in prior years at the Greenridge Plaza and higher real estate taxes throughout the portfolio in 2004.

General and administrative expense decreased \$0.2 million, or 2%, from \$10.7 million for 2003 to \$10.5 million for 2004. This decrease was primarily the result of certain employee termination costs in 2003 and the Company's capitalization of certain internal leasing costs in 2004 offset by additional professional fees related to Sarbanes-Oxley compliance in 2004.

Depreciation and amortization decreased \$1.7 million, or 10%, from \$17.4 million for 2003 to \$15.7 million for 2004. Depreciation expense decreased \$2.5 million. This was a result of the write-off of \$2.7 million of unamortized tenant improvement costs related to the buyout and termination of the former anchor at the Town Line Plaza redevelopment project in 2003. This decrease was offset by increased depreciation expense in 2004 following the Gateway redevelopment project being placed in service during the second quarter of 2003. Amortization expense increased \$0.8 million primarily as a result of the amortization of investment in management contracts in 2004.

Interest expense of \$10.4 million for 2004 increased \$0.5 million, or 5%, from \$9.9 million for 2003. This was primarily attributable to an increase of \$0.4 million as a result of higher average interest rates on the portfolio debt for 2004 and a decrease of \$0.1 million in capitalized interest in 2004.

Income from discontinued operations increased \$6.6 million due to a property sale in 2004.

#### **Comparison of the year ended December 31, 2003 ("2003") to the year ended December 31, 2002 ("2002")**

Total revenues increased \$0.8 million to \$67.8 million for 2003 compared to \$67.0 million for 2002.

Minimum rents increased \$2.3 million, or 5%, to \$48.9 million for 2003 compared to \$46.6 million for 2002. This increase was attributable to an increase in rents following the redevelopment of the Elmwood Park and Gateway shopping centers and an increase in rents from re-tenanting activities and renewals of tenant leases across the portfolio. These increases were partially offset by a decrease in rents following Ames Department Stores' bankruptcy.

In total, expense reimbursements increased \$2.2 million, or 20%, from \$11.0 million for 2002 to \$13.2 million for 2003. CAM expense reimbursements increased \$1.7 million, or 38%, from \$4.5 million in 2002 to \$6.2 million in 2003. This resulted primarily from tenant reimbursements of higher snow removal costs following the harsh winter of 2003 as well as tenant reimbursements of higher insurance costs throughout the portfolio. Real estate tax reimbursements increased \$0.5 million primarily as a result of the variance in real estate tax expense as discussed below.

Lease termination income of \$3.9 million in 2002 was primarily the result of the settlement of the Company's claim against a former tenant.

Management fee income increased \$0.7 million, or 50%, to \$2.0 million in 2003 from \$1.3 million in 2002. This increase was the result of an increase in management fee income received from Fund I in 2003 as a result of the acquisition of the Ohio Portfolio in September 2002 and the Brandywine and Kroger/Safeway Portfolios in January of 2003.

Interest income decreased \$1.3 million, or 62%, from \$2.1 million in 2002 to \$0.8 million in 2003. This decrease was attributable to a decrease in interest income during 2003 due to lower interest earning assets, including cash investments and notes receivable, as well as the decline in interest rates.

Other income increased \$0.7 million, or 141%, to \$1.2 million in 2003 from \$0.5 million in 2002. This was primarily due to a lump sum additional rent payment of \$1.2 million received from a former tenant during 2003 in connection with the re-anchoring of the Branch Plaza partially offset by the settlement of claims against certain tenants in 2002.

Total operating expenses increased \$6.6 million, or 15%, to \$51.3 million for 2003, from \$44.7 million for 2002.

Property operating expenses increased \$2.8 million, or 23%, to \$14.7 million for 2003 compared to \$11.9 million for 2002. This was a result of higher snow removal costs due to the harsh winter of 2003 and higher insurance costs throughout the portfolio.

Real estate taxes increased \$0.4 million, or 5%, from \$8.1 million in 2002 to \$8.5 million in 2003. This increase was attributable to higher real estate taxes experienced generally throughout the portfolio and a 2002 adjustment of accrued real estate taxes for an acquired property. These increases were primarily offset by a real estate tax refund agreed to in 2003 related to the appeal of taxes paid in prior years at the Greenridge Plaza.

General and administrative expense increased \$0.5 million, or 6%, from \$10.2 million for 2002 to \$10.7 million for 2003. This increase was primarily attributable to stock-based compensation. These increases were offset by additional costs paid in 2002 related to the Company's tender offer and repurchase of its Common Shares.

Depreciation and amortization increased \$3.2 million, or 22%, from \$14.2 million for 2002 to \$17.4 million for 2003. Depreciation expense increased \$3.6 million. This was a result of the write-off of \$2.7 million of unamortized tenant improvement costs related to the buyout and termination of the former anchor at the Town Line Plaza redevelopment project. In addition, depreciation expense increased following the Elmwood Park redevelopment project being placed in service during the fourth quarter of 2002 and the Gateway project being placed in service during the first quarter of 2003. Amortization expense decreased \$0.4 million, which was primarily attributable to the write-off of deferred leasing costs during 2002 related to certain tenant leases.

Interest expense of \$9.9 million for 2003 increased \$0.2 million, or 2%, from \$9.7 million for 2002. This was primarily attributable to a decrease of \$0.5 million in capitalized interest in 2003 and a \$0.2 million increase in interest expense as a result of higher average interest rates on the portfolio debt for 2003. These increases were offset by a \$0.5 million decrease resulting from lower average outstanding borrowings during 2003.

Income from discontinued operations decreased \$8.6 million due to property sales in 2002.

### Funds from Operations

The Company considers funds from operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. However, the Company's method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from operations as defined by generally accepted accounting principles ("GAAP") and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company's performance or to cash flows as a measure of liquidity.

Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The reconciliations of net income to FFO for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 are as follows:

### Reconciliation of Net Income to Funds from Operations

	For the Years Ended December 31,				
	2004	2003	2002	2001	2000
Net income	\$ 19,585	\$ 7,853	\$ 19,399	\$ 9,802	\$ 19,907
Depreciation of real estate and amortization of leasing costs:					
Wholly owned and consolidated partnerships	14,411	16,957	15,305	18,422	19,325
Unconsolidated partnerships	2,329	2,107	662	627	625
Income attributable to minority interest in operating partnership (1)	375	747	2,928	2,221	5,674
(Gain)loss on sale of properties	(6,696)	—	(8,132)	(17,734)	(13,742)
Cumulative effect of change in accounting principle	—	—	—	149	—
Funds from operations	\$ 30,004	\$ 27,664	\$ 30,162	\$ 13,487	\$ 31,789

#### Notes:

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

## LIQUIDITY AND CAPITAL RESOURCES

### USES OF LIQUIDITY

The Company's principal uses of its liquidity are expected to be for distributions to its shareholders and OP unitholders, debt service and loan repayments, and property investment which includes the funding of its joint venture commitments, acquisition, redevelopment, expansion and re-tenanting activities.

#### Distributions

In order to qualify as a REIT for Federal income tax purposes, the Company must currently distribute at least 90% of its taxable income to its shareholders. For the first three quarters during 2004, the Company paid a quarterly dividend of \$0.16 per Common Share and Common OP Unit. In December of 2004, the Board of Trustees approved and declared a 7.8% increase in the Company's quarterly dividend to \$0.1725 per Common Share and Common OP Unit for the fourth quarter of 2004 which was paid January 14, 2005. On February 4, 2005, the Board of Trustees approved and declared a quarterly dividend of \$0.1725 per Common Share and Common OP Unit payable April 15, 2005 to shareholders and OP unitholders of record as of March 31, 2005.

#### Acadia Strategic Opportunity Fund, LP ("Fund I")

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

The Company is the manager and general partner of Fund I with a 22% interest. In addition to a pro-rata return on its invested equity, the Company is entitled to a profit participation based upon certain investment return thresholds. Cash flow is to be distributed pro-rata to the partners (including the Company) until they have received a 9% cumulative return on, and a 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. The Company also earns a fee for asset management services equal to 1.5% of the total equity commitments, as well as market-rate fees for property management, leasing and construction services.

To date, Fund I has purchased a total of 35 assets totaling 2.7 million square feet. Details of these are as follows:

#### 2004 Acquisitions

On March 11, 2004, Fund I, in conjunction with the Company's long-time investment partner, Hendon Properties ("Hendon"), purchased a \$9.6 million first mortgage loan from New York Life Insurance Company for \$5.5 million. The loan, which was secured by a 235,000 square foot shopping center in Aiken, South Carolina, was in default at acquisition. Fund I and Hendon acquired the loan with the intention of pursuing ownership of the property securing the debt. Fund I provided 90% of the equity capital and Hendon provided the remaining 10% of the equity capital used to acquire the loan. Hendon is entitled to receive profit participation in excess of its proportionate equity interest. The property is currently anchored by a Kroger supermarket and was only 56% occupied at acquisition due to the vacancy of a former Kmart store. Subsequent to the acquisition of the loan, Fund I and Hendon obtained fee title to this property and currently plan to redevelop and re-anchor the center. The Company loaned \$3.2 million to the property owning entity in connection with the purchase of the first mortgage loan. The note matures March 9, 2006, and bears interest at 7% for the first year and 6% for the second year. In addition to its loan to Fund I, the Company invested \$0.9 million, primarily its pro-rata share of equity as a partner in Fund I. In September 2004, Fund I and Hendon purchased the Pine Log Plaza for \$1.5 million. The 35,000 square foot center is located in front of and adjacent to the Hitchcock Plaza. Related to this transaction, the Company provided an additional \$0.75 million loan to Fund I with a March 2006 maturity and interest at 7% for the first year and 6% for the second year.

In May 2004, Fund I and an unaffiliated partner, each with a 50% interest, acquired a 35,000 square foot shopping center in Tarrytown, New York, for \$5.3 million. Related to this acquisition, the Company loaned \$2.0 million to Fund I which bears interest at the prime rate and matures May 2005. The 35,000 square foot, Westchester, NY property (New York City MSA), was formerly anchored by a 25,000 square foot Grand Union supermarket. The redeveloped property will include a 15,000 square foot Walgreen's drugstore, a 10,000 square foot junior anchor with the balance of space leased to shop tenants.

In May 2004, Fund I acquired a 50% interest in the Haygood Shopping Center and the Sterling Heights Shopping Center for an aggregate investment of \$3.2 million. These assets are part of the portfolio that the Company currently manages as a result of its January 2004 acquisition of certain management contracts. The Haygood Shopping Center is a 165,000 square foot shopping center located in Virginia Beach, VA. It is currently 69% occupied and anchored by Rose's Department Store and Eckerd Drug. Redevelopment of this property will most likely include the replacement of Rose's with a new supermarket anchor. The Sterling Heights Shopping Center, located in Sterling Heights, MI (suburb of Detroit), totals 141,000 square feet. The property is also 69% occupied and is anchored by Burlington Coat Factory. Redevelopment activities will include the complete renovation of the property and the re-leasing of the current vacancy.



*2003 and 2002 Acquisitions*

**Brandywine Portfolio** - In January of 2003, Fund I acquired a major open-air retail complex located in Wilmington, Delaware. The approximately 1.0 million square foot value-based retail complex consists of the following two properties:

Market Square Shopping Center is a 103,000 square foot community shopping center (including a 15,000 square foot outparcel building) which is 100% leased and anchored by a T.J. Maxx and a Trader Joe's gourmet food market.

Brandywine Town Center is a two phase open-air value retail center. The first phase ("Phase I") is approximately 450,000 square feet and 100% occupied, with tenants including Lowe's, Bed Bath & Beyond, Regal Cinema, Michaels, Petsmart, Old Navy, Annie Sez, Thomasville Furniture and Dick's Sporting Goods. The second phase ("Phase II") consists of approximately 420,000 square feet of existing space, of which Target occupies 138,000 square feet and Bombay occupies 9,000 square feet. The balance of Phase II is currently not occupied.

The initial investment for the portfolio was approximately \$86.3 million, inclusive of closing and other related acquisition costs. Fund I assumed \$38.1 million of fixed rate debt on the two properties at a blended rate of 8.1%. A new \$30.0 million, 4.7% fixed-rate loan was also obtained in conjunction with the acquisition and is collateralized by a portion of the Brandywine Town Center. The balance of the purchase price was funded by Fund I, of which the Company's share was \$4.3 million. Fund I will also pay additional amounts in conjunction with the lease-up of the current vacant space in Phase II (the "Earn-out"). To date, Fund I has incurred costs of \$20.6 million for Earn-out space. The additional investment for Earn-out space is projected to be between \$25.0 million and \$30.0 million, of which the Company's share would be between \$5.5 million and \$6.6 million. To the extent Fund I places additional mortgage debt upon the lease-up of Phase II, the required equity contribution for the Earn-out would be less. The Earn-out is structured such that Fund I has no time requirement or payment obligation for any portion of currently vacant space which it is unable to lease.

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

The Kroger/Safeway JV acquired the portfolio for \$48.9 million (inclusive of closing and other related acquisition costs), which included the assumption of an aggregate of \$34.5 million of existing fixed-rate mortgage debt, which is at a blended fixed interest rate of 6.6% and is fully amortizing over the Primary Term. The individual mortgages are secured by each individual property and are not cross-collateralized. Fund I invested 90%, or \$11.3 million, of the equity capitalization, of which the Company's share was \$2.5 million. AmCap contributed 10%, or \$1.2 million. Cash flow is to be distributed to the Kroger/Safeway JV partners until they have received an 11% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 75% to Fund I and 25% to AmCap. The Kroger/Safeway JV agreement also provides for additional allocations of cash based on Fund I achieving certain minimum investment returns to be determined on a "look-back" basis.

In September of 2002, Fund I acquired three supermarket-anchored shopping centers located in Cleveland and Columbus, Ohio for a total purchase price of \$26.7 million. Fund I assumed \$12.6 million of fixed-rate debt on two of the properties at a blended rate of 8.1%. A new \$6.0 million loan was obtained on the third property at a floating rate of LIBOR plus 200 basis points. The balance of the purchase price was funded by Fund I, of which the Company's share was \$1.8 million.

**Acadia Strategic Opportunity Fund II, LLC ("Fund II")**

On June 15, 2004, the Company closed its second acquisition fund, Acadia Strategic Opportunity Fund II, LLC ("Fund II"), which includes all of the investors from Fund I as well as two new institutional investors. With \$300 million of committed discretionary capital, Fund II expects to be able to acquire up to \$900 million of real estate assets on a leveraged basis. The Company is the managing member with a 20% interest in the joint venture. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8% and the asset management fee is calculated on committed equity of \$250 million through June 15, 2005 and then on the total committed equity of \$300 million thereafter. To date, Fund II has invested in the RCP Venture and the New York Urban Infill Redevelopment initiative as discussed below.

**New York Urban Infill Redevelopment initiative**

**Fordham Road** - On September 29, 2004, in conjunction with an investment partner, P/A, Fund II purchased 400 East Fordham Road in the Bronx, NY for \$30.2 million, inclusive of closing and other related acquisition costs. The Company had provided a bridge loan of \$18.0 million to Fund II on market terms in connection with this acquisition. Subsequent to the acquisition, Fund II repaid this loan from the Company with \$18.0 of proceeds from a new loan from a bank. The property, a multi-level retail and commercial building, is located at the intersection of East

Fordham Road and Webster Avenue, near Fordham University, one of the strongest retail areas in The Bronx and the third largest retail corridor in New York City, with over 650,000 people in a two-mile radius and retail sales in excess of \$500 million. Sears is the major tenant of the property, retailing on four levels. The redevelopment of the property is scheduled to commence in 2007 following the expiration of the Sears lease, which was originally signed in 1964. However, depending on current negotiations with both Sears and other potential anchors, the timeframe of the redevelopment may be accelerated. The strength of the retail market in The Bronx is evidenced by core retail rents exceeding \$75 per square foot with many retailers utilizing multi-level formats. As part of the redevelopment, there is the potential for additional expansion of up to 85,000 square feet of space. The total cost of the redevelopment project, including the acquisition cost of \$30 million, is estimated to be between \$65 and \$70 million, depending on the ultimate scope of the project.

Pelham Manor - On October 1, 2004, Fund II initiated its second urban/infill project in conjunction with P/A. Fund II entered into a 95-year ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York. The property is in an upper middle-income, infill neighborhood located approximately 10 miles from Manhattan with over 400,000 people in a three-mile radius. The redevelopment contemplates the demolition of the existing industrial and warehouse buildings, and replacing them with a multi-anchor community retail center. The Company anticipates the redevelopment to cost between \$30 and \$33 million, with construction anticipated to commence within the next 12 to 24 months. In the interim, the property will continue to be operated as an industrial and warehouse facility. Prior to commencement of the redevelopment process, the ground rent payment is projected to equal the warehouse rents collected.

#### RCP Venture with Klaff Realty, L.P. ("Klaff")

On January 27, 2004, the Company entered into the Retailer Controlled Property Venture (the "RCP Venture") with 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. The initial size of the RCP Venture is expected to be approximately \$300 million in equity based on anticipated investments of approximately \$1 billion. Each participant in the RCP Venture has the right to opt out of any potential investment. The Company and its current acquisition funds, Funds I and II, anticipate investing 20% of the equity of the RCP Venture. Cash flow is to be distributed to the partners until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff ("Klaff's Promote") and 80% to the partners (including Klaff). The Company will also earn market-rate fees for property management, leasing and construction services on behalf of the RCP Venture.

In September 2004, the Company made its first RCP Venture investment with its participation in the acquisition of Mervyn's. Affiliates of Funds I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyn's through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerberus, acquired Mervyn's from Target Corporation. The total acquisition price was approximately \$1.2 billion subject to debt of approximately \$800.0 million. Affiliates of Funds I and II invested equity aggregating \$23.2 million on a non-recourse basis which was divided equally between them, of which \$4.9 million was the company's total share of the equity investment. Mervyn's is a 257-store discount retailer with a very strong West Coast concentration. The majority of the stores are well-located in high-barrier to entry markets, which we believe gives a recapitalized and refocused operator the opportunity to create a productive retail platform and subsequent future value.

#### Other Investments

In January 2004, the Company acquired Klaff's rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties and/or leasehold interests comprised of approximately 10 million square feet of retail space located throughout the United States (the "Klaff Properties"). The acquisition involves only Klaff's rights associated with operating the Klaff Properties and does not include equity interests in assets owned by Klaff or Lubert-Adler. The Operating Partnership issued \$4.0 million of Series B Preferred OP Units to Klaff in consideration of this acquisition.

On March 18, 2004, the Company provided a \$3.0 million mezzanine loan to an unrelated entity. The loan is for a term of three years with interest of 11% for year one, 10% for year two and prime plus 6% for year three.

On April 8, 2004, the Company provided a \$3.6 million mezzanine loan to an unrelated party. The loan carried interest at the rate of 15%. The loan was paid in full on June 23, 2004, which resulted in an additional 10% interest pre-payment penalty over the period the loan was outstanding.

The Company provided a \$3.2 million loan to its joint venture partner in the Tarrytown Centre. The loan matures on May 12, 2005, and bears interest at the prime rate.

In March of 2005, the Company invested \$20 million in a preferred equity position ("Preferred Equity") with Levitz SL, L.L.C. ("Levitz SL"), the owner of 2.5 million square feet of fee and leasehold interests in 30 locations (the "Properties"), the majority of which are currently leased to Levitz Furniture Stores. Klaff is a managing member of Levitz SL. The Preferred Equity receives a return of 10%, plus a minimum return of capital of \$2 million per annum. At the end of 12 months, the rate of return will be reset to the six-month LIBOR plus 644 basis points. The Preferred Equity is redeemable at the option of Levitz SL at any time, although if redeemed during the first 12 months, the redemption price is equal to the outstanding amount of the Preferred Equity, plus the return calculated for the remainder of the 12-month period.

#### Property Redevelopment and Expansion

The Company's redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment. During 2004, the Company substantially completed the redevelopment of two shopping centers as follows:

During 2004, the Company completed the redevelopment of the New Loudon Center, located in Latham, New York. A new anchor, The Bon Ton Department Store, opened for business during the fourth quarter of 2003 as part of the redevelopment of this shopping center. Occupying 66,000 square feet formerly occupied by an Ames department store, Bon Ton is paying base rent at a 15% increase over that of Ames. During 2004, Marshall's, an existing tenant at the center, expanded its current 26,000 square foot store to 37,000 square feet. The Company also installed a new 49,000 square foot Raymour and Flanigan Furniture store at this center during 2004. This community shopping center is now 100% occupied. Total costs incurred by the Company for this project totaled \$418,000.

The Company has re-anchored the Town Line Plaza, located in Rocky Hill, Connecticut, with a new Super Stop & Shop supermarket, replacing a former GU Markets supermarket. The former building was demolished and replaced with a 66,000 square foot Super Stop & Shop. The new supermarket anchor is paying gross rent at a 33% increase over that of the former tenant with no interruption in rent payments. Total costs incurred by the Company for this project totaled \$1.7 million.

Additionally, for the year ending December 31, 2005, the Company currently estimates that capital outlays of approximately \$ 4.0 million to \$7.0 million will be required for tenant improvements, related renovations and other property improvements.

### **Share Repurchase**

The Company's repurchase of its Common Shares is an additional use of liquidity. Upon completion of a tender offer in February 2002, the Company purchased a total of 5,523,974 Common Shares and Common OP Units (collectively, "Shares"), comprised of 4,136,321 Common Shares and 1,387,653 Common OP Units (which were converted to Common Shares upon tender), at a Purchase Price of \$6.05 per Share. The aggregate purchase price paid for the 5,523,974 Shares was \$33.4 million. In addition to the tender offer, the Company has an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of the Company's outstanding Common Shares. Through March 14, 2005, the Company had repurchased 2.1 million Common Shares at a total cost of \$11.7 million of which 1.4 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 the Company will purchase the full amount authorized. There were no Common Shares repurchased by the Company during the fiscal year ended December 31, 2004.

### **SOURCES OF LIQUIDITY**

The Company intends on using Funds I and II as the primary vehicles for future acquisitions, including investments in the RCP Venture and New York Urban/Infill /redevelopment initiative. Sources of capital for funding the Company's joint venture commitments, other property acquisitions, redevelopment, expansion and re-tenancing, 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 December 31, 2004, the Company had a total of approximately \$33.4 million of additional capacity with four line of credit facilities, cash and cash equivalents on hand of \$13.5 million, and 15 properties that are unencumbered and available as potential collateral for future borrowings. The Company anticipates that cash flow from operating activities will continue to provide adequate capital for all debt service payments, recurring capital expenditures and REIT distribution requirements.

### **Issuance of Equity**

During November 2004, the Company issued 1,890,000 Common Shares (the "Offering"). The \$28.3 million in proceeds to the Company from the Offering, net of related costs, were used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets.

### **Financing and Debt**

At December 31, 2004, mortgage notes payable aggregated \$153.4 million and were collateralized by 16 properties and related tenant leases. Interest rates on the Company's outstanding mortgage indebtedness ranged from 3.8% to 7.6% with maturities that ranged from July 2007 to September 2014. Taking into consideration \$86.2 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$146.4 million of the portfolio, or 95%, was fixed at a 6.1% weighted average interest rate and \$7.0 million, or 5% was floating at a 3.8% weighted average interest rate. There is no debt maturing in 2005 and 2006. In 2007, \$12.5 million is scheduled to mature at a weighted average interest rate of 6.5%. As the Company does not anticipate having sufficient cash on hand to repay such indebtedness, it will need to refinance this indebtedness or select other alternatives based on market conditions at that time.

The following summarizes the financing and refinancing transactions since December 31, 2003:

In January 2004, the Company entered into a forward starting swap agreement which commences April 1, 2005. The swap agreement, which extends through January 1, 2011, provides for a fixed rate of 4.345% on \$37.7 million of notional principal.

In February 2004, the Company entered into three forward starting swap agreements as follows:

<u>Commencement Date</u>	<u>Maturity Date</u>	<u>Notional Principal</u>	<u>Rate</u>
10/2/2006	10/1/2011	\$ 11.4 million	4.895%
10/2/2006	1/1/2010	\$ 4.6 million	4.710%
6/1/2007	3/1/2012	\$ 8.4 million	5.140%

On March 11, 2004, the Company drew down \$4.5 million under an existing \$20.0 million revolving facility and \$4.5 million under an existing \$7.4 million revolving facility.

On March 26, 2004, the Company paid down \$10.4 million and modified and extended \$40.0 million of an existing \$50.4 million loan with a bank. The loan, secured by two of the Company's properties, now matures April 1, 2011 and requires the monthly payment of interest at LIBOR plus 150 basis points and principal amortized over 30 years.

On April 19, 2004, a \$1.4 million letter of credit was placed with a lender in the Company's name. This letter of credit was necessary to maintain coverage ratios following the rejection of a tenant's lease at a Fund I property.

During the second quarter of 2004, the Company drew down an additional \$8.0 million under an existing \$20.0 million revolving facility and an additional \$2.5 million under an existing \$7.4 million revolving facility. The balances on these revolving facilities were paid in full during the third quarter of 2004.

On June 30, 2004, the Company closed on a \$45.9 million cross collateralized revolving facility, which is collateralized by five of the Company's properties. The existing combined outstanding debt of \$23.0 million was modified to allow the Company to borrow an additional \$22.9 million. The facility matures in 2012 and bears interest at LIBOR plus 140 basis points. The Company drew down \$16.8 million under this facility on June 30, 2004, of which the proceeds from the additional borrowings were used to pay down the two revolving facilities mentioned above. During the third quarter of 2004, the Company drew down an additional \$4.7 million on this facility.

On June 30, 2004, the Company closed on a \$12.1 million revolving facility secured by one of its properties. The existing outstanding debt of \$8.9 million was modified to allow the Company to borrow an additional \$3.2 million. The facility matures in 2012 and bears interest at LIBOR plus 140 basis points.

On August 13, 2004, the Company refinanced an existing \$7.9 million floating rate mortgage loan with a \$15 million fixed rate mortgage loan maturing in 2014. The terms of the new mortgage loan, bearing interest at 5.6%, provide for interest-only payments for two years, and principal and interest thereafter based on a 30-year amortization with a balloon payment due at maturity of \$13.1 million. In connection with the refinancing, the Company was required to prepay \$1.6 million of debt collateralized by two other properties, and pay a prepayment penalty of \$0.1 million.

On September 28, 2004, the Company drew down \$20 million from existing lines of credit from two different banks. The proceeds from these borrowings were utilized to advance \$18 million to Fund II as a bridge loan to finance Fund II's acquisition of a property located in The Bronx, New York. Fund II's advance was repaid upon financing of the acquisition with a bank during the fourth quarter 2004.

On December 1, 2004, the Company paid down \$0.8 million of outstanding balance on a line of credit and fully repaid \$13.0 million from two other lines of credit.

During December of 2004, the Company retired \$33.4 million of mortgage debts with two banks.

In connection with the sale of the East End Centre, the Company extinguished \$23.8 million of 8.13% fixed-rate mortgage debt which was scheduled to mature in 2010 and cross-collateralized by the East End Centre and Crescent Plaza.

### **Asset Sales**

Asset sales are an additional source of liquidity for the Company. A significant component of the Company's business has been its multi-year plan to dispose of non-core real estate assets. The Company began this initiative following the RDC Transaction and completed it in 2002. Non-core assets were identified based on factors including property type and location, tenant mix and potential income growth as well as whether a property complemented other assets within the Company's portfolio. The Company sold 28 non-core assets in connection with this initiative comprising a total of approximately 4.6 million square feet of retail properties and 800 multi-family units, for a total sales price of \$158.4 million which generated net sale proceeds to the Company of \$82.5 million.

Although the Company completed the non-core disposition initiative in 2002, it continues to identify non-core assets within its portfolio. During November of 2004, Acadia disposed of the East End Centre located in Wilkes-Barre, Pennsylvania for approximately \$12.4 million. In connection with this sale, the mortgage debt which was cross-collateralized by the East End Centre and Crescent Plaza was extinguished.

Additionally the Company completed the following two land sales in 2003 and 2002:

In January 2002, the Company, with a joint venture partner, purchased a three-acre site located in the Bronx, New York for \$3.1 million. Simultaneously, the Company sold approximately 46% of the land to a self-storage facility for \$3.3 million. The Company's share of net proceeds totaled \$1.4 million. The Company currently plans to build and lease a 15,000 square foot retail building on the remaining parcel.

On November 8, 2002, a joint venture between the Company and an unaffiliated joint venture partner completed the sale of a contract to purchase land in Bethel, Connecticut, to the Target Corporation for \$2.4 million. The joint venture received a \$1.6 million note receivable for the net purchase price and additional reimbursements due from the buyer, which was paid in full during 2003. The Company's share of the net proceeds totaled \$1.4 million.

## CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At December 31, 2004, maturities on the Company's mortgage notes ranged from July 2007 to September 2014. In addition, the Company has non-cancelable ground leases at three of its shopping centers. The Company also leases space for its White Plains corporate office for a term expiring in 2010. The following table summarizes the Company's debt maturities, excluding scheduled monthly amortization payments, and obligations under non-cancelable operating leases of December 31, 2004:

(amounts in millions)	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Contractual obligation					
Future debt maturities	\$ 122.3	\$ —	\$ 12.5	\$ 8.0	\$ 101.8
Operating lease obligations	22.5	1.0	2.1	2.3	17.1
<b>Total</b>	<b>\$ 144.8</b>	<b>\$ 1.0</b>	<b>\$ 14.6</b>	<b>\$ 10.3</b>	<b>\$ 118.9</b>

## OFF BALANCE SHEET ARRANGEMENTS

The Company has investments in three joint ventures for the purpose of investing in operating properties as follows:

The Company owns a 49% interest in two partnerships which own the Crossroads Shopping Center ("Crossroads"). The Company accounts for its investment in Crossroads using the equity method of accounting as it has a non-controlling investment in Crossroads, but exercises significant influence. As such, the Company's financial statements reflect its share of income from, but not the assets and liabilities of, Crossroads. The Company's pro rata share of Crossroads mortgage debt as of December 31, 2004 was \$31.4 million. This fixed-rate debt, which was refinanced in October of 2004, bears interest at 5.4% and matures in December 2014. In connection with the refinancing, the Company paid \$1.3 million to settle two variable to fixed-rate swap agreements which served to hedge the former LIBOR based floating rate debt.

Reference is made to the discussion of Funds I and II under "Uses of Liquidity" in this Item 7 for additional detail related to the Company's investment in and commitments to Funds I and II. The Company owns a 22% interest in Fund I and 20% in Fund II for which it also uses the equity method of accounting. The Company's pro rata share of Funds I and II fixed-rate mortgage debt as of December 31, 2004 was \$21.7 million at a weighted average interest rate of 6.4%. The Company's pro rata share of Fund I and II variable-rate mortgage debt as of December 31, 2004 was \$5.7 million at an interest rate of 4.3%. Maturities on these loans range from May 2005 to January 2023.

## HISTORICAL CASH FLOW

The following discussion of historical cash flow compares the Company's cash flow for the year ended December 31, 2004 ("2004") with the Company's cash flow for the year ended December 31, 2003 ("2003").

Cash and cash equivalents were \$13.5 million and \$14.1 million at December 31, 2004 and 2003, respectively. The decrease of \$0.6 million was a result of the following increases and decreases in cash flows:

(amounts in millions)	Years Ended December 31,		
	2004	2003	Variance
Net cash provided by operating activities	\$ 23.8	\$ 18.6	\$ 5.2
Net cash used in investing activities	(14.7)	(19.4)	4.7
Net cash used in financing activities	(9.8)	(30.2)	20.4

The variance in net cash provided by operating activities resulted primarily from an increase of \$4.4 million in operating income before non-cash expenses in 2004, which was primarily due to an increase in rents following the redevelopment of the Gateway shopping center, re-tenanting activities and an increase in management fee income.

The variance in net cash used in investing activities was primarily the result of an additional \$15.2 million of distributions received from unconsolidated partnerships in 2004, a \$2.5 million earn-out payment in 2003 related to a redevelopment project and a \$6.2 million decrease in expenditures for real estate acquisitions, development and tenant installations during 2004. In addition, \$0.9 million of proceeds from the sale of land were received in 2004. These increases were offset by additional investments in and advances to unconsolidated partnerships of \$10.4 million in 2004 as well as \$10.4 million of notes issued in 2004.

The decrease in net cash used in financing activities resulted from \$28.3 of proceeds received in 2004 related to the issuance of Common Shares and \$9.3 million of cash provided by the exercise of stock options in 2004. These decreases were partially offset by \$12.8 million of additional cash used in 2004 for net repayments of outstanding mortgage debt, \$2.8 million of additional cash paid for dividends and distributions on Common OP Units in 2004, \$1.4 million of cash used for additional deferred financing costs in 2004 and \$1.3 million of cash used to terminate a derivative instrument in 2004.

## **CRITICAL ACCOUNTING POLICIES**

Management's discussion and analysis of financial condition and results of operations is based upon the Company's 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. The Company 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. The Company believes the following critical accounting policies affect the significant judgments and estimates used by the Company in the preparation of its consolidated financial statements.

### **Valuation of Property Held for Use and Sale**

On a quarterly basis, the Company reviews the carrying value of both properties held for use and for sale. The Company records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying cost to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell. For the year ended December 31, 2002, an impairment loss of \$0.2 million was recognized related to properties which were held for sale and subsequently sold. Management does not believe that the value of any properties in its portfolio was impaired as of December 31, 2004 or 2003.

### **Bad Debts**

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of December 31, 2004, the Company had recorded an allowance for doubtful accounts of \$2.8 million. If the financial condition of the Company's tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

## **INFLATION**

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

## **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

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



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

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

Currently, the Company manages its exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of December 31, 2004, the Company had total mortgage debt of \$153.4 million of which \$146.4 million, or 95% was fixed-rate, inclusive of interest rate swaps, and \$7.0 million, or 5%, was variable-rate based upon LIBOR plus certain spreads. As of December 31, 2004, the Company was a party to five interest rate swap transactions to hedge the Company's exposure to changes in interest rates with respect to \$86.2 million of LIBOR based variable-rate debt. The Company also has four forward-starting interest rate swaps which commence during 2005, 2006 and 2007 and mature from 2010 to 2012 that will hedge the Company's exposure to changes in interest rates with respect to \$62.2 million of refinanced LIBOR-based variable rate debt with the matching maturities.

The following table sets forth information as of December 31, 2004 concerning the Company's long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (amounts in millions):

**Consolidated mortgage debt:**

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2005	\$ 1.6	\$ —	\$ 1.6	n/a
2006	2.2	—	2.2	n/a
2007	3.8	12.5	16.3	6.5%
2008	4.5	8.0	12.5	3.8%
2009	5.2	—	5.2	n/a
Thereafter	13.8	101.8	115.6	4.8%
	<u>\$ 31.1</u>	<u>\$ 122.3</u>	<u>\$ 153.4</u>	

**Mortgage debt in unconsolidated partnerships (at Company's pro rata share):**

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2005	\$ 1.4	\$ 1.1	\$ 2.5	5.3%
2006	1.5	—	1.5	n/a
2007	1.5	4.5	6.0	4.4%
2008	1.5	6.7	8.2	4.7%
2009	1.5	—	1.5	n/a
Thereafter	3.6	35.5	39.1	5.7%
	<u>\$ 11.0</u>	<u>\$ 47.8</u>	<u>\$ 58.8</u>	

Of the Company's total outstanding debt, \$12.5 million will become due in 2007. As the Company intends on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, the Company's interest expense would increase by approximately \$0.1 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on the Company's variable debt as of December 31, 2004 would not increase materially as the Company has only \$7.0 million of floating rate debt after taking into account the effect of interest rate swaps hedging \$86.2 million of notional principal. The Company may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, the Company would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data listed in items 15(a) (1) and 15(a) (2) hereof are incorporated herein by reference.

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

None

## ITEM 9A. CONTROLS AND PROCEDURES

### (i) Disclosure Controls and Procedures

The Company conducted an evaluation, under the supervision and with the participation of management including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2004.

### (ii) Internal Control Over Financial Reporting

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

Management of Acadia Realty Trust is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears in this item 9A.

Acadia Realty Trust

White Plains, New York  
March 10, 2005

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

The Shareholders and Trustees of  
Acadia Realty Trust

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Acadia Realty Trust and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Acadia Realty Trust and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

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

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

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



In our opinion, management's assessment that Acadia Realty Trust and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Acadia Realty Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acadia Realty Trust and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 and our report dated March 10, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York  
March 10, 2005

**(c) Changes in internal control over financial reporting.**

There was no change in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY**

This item is incorporated by reference from the definitive proxy statement for the 2005 Annual Meeting of Shareholders presently scheduled to be held May 18, 2005, to be filed pursuant to Regulation 14A.

**ITEM 11. EXECUTIVE COMPENSATION**

This item is incorporated by reference from the definitive proxy statement for the 2005 Annual Meeting of Shareholders presently scheduled to be held May 18, 2005, to be filed pursuant to Regulation 14A.

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

This item is incorporated by reference from the definitive proxy statement for the 2005 Annual Meeting of Shareholders presently scheduled to be held May 18, 2005, to be filed pursuant to Regulation 14A.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

This item is incorporated by reference from the definitive proxy statement for the 2005 Annual Meeting of Shareholders presently scheduled to be held May 18, 2005, to be filed pursuant to Regulation 14A.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

This item is incorporated by reference from the definitive proxy statement for the 2005 Annual Meeting of Shareholders presently scheduled to be held May 18, 2005, to be filed pursuant to Regulation 14A.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

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

## ACADIA REALTY TRUST

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

Exhibit No.	Description
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (4)
3.3	By-Laws of the Company (5)
3.4	First Amendment to By-Laws of the Company (19)
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) (20)
10.4	Form of Registration Rights Agreement and Lock-Up Agreement (18)
10.5	Registration Rights and Lock-Up Agreement (RD Capital Transaction) (11)
10.6	Registration Rights and Lock-Up Agreement (Pacesetter Transaction) (11)
10.7	Contribution and Share Purchase Agreement dated as of April 15, 1998 among Mark Centers Trust, Mark Centers Limited Partnership, the Contributing Owners and Contributing Entities named therein, RD Properties, L.P. VI, RD Properties, L.P. VIA and RD Properties, L.P. VIB (9)
10.8	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, LP and Klaff Realty, Limited (18)
10.9	Employment agreement between the Company and Kenneth F. Bernstein (6) (20)
10.10	Employment agreement between the Company and Ross Dworman (6) (20)
10.11	Amendment to employment agreement between the Company and Kenneth F. Bernstein (18) (20)
10.12	First Amendment to Employment Agreement between the Company and Kenneth Bernstein dated as of January 1, 2001 (12) (20)
10.13	First Amendment to Employment Agreement between the Company and Ross Dworman dated as of January 1, 2001 (12) (20)
10.14	Letter of employment offer between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (20)
10.15	Severance Agreement between the Company and Joel Braun, Sr. Vice President, dated April 6, 2001 (13) (20)
10.16	Severance Agreement between the Company and Joseph Hogan, Sr. Vice President, dated April 6, 2001 (13) (20)

- 10.17 Severance Agreement between the Company and Joseph Napolitano, Sr. Vice President dated April 6, 2001 (18) (20)
- 10.18 Severance Agreement between the Company and Robert Masters, Sr. Vice President and General Counsel dated January 2001 (18) (20)
- 10.19 Severance Agreement between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (20)
- 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) (20)
- 10.45 Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form (19) (20)
- 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 June 30, 2004 (19)
- 10.49 Mortgage Modification Agreement between Fleet National Bank and Acadia Town Line, LLC dated June 30, 2004 (19)
- 10.49a Mortgage Modification Agreement between Fleet National Bank and Heathcote Associates, L.P. dated June 30, 2004 (19)
- 10.49b Mortgage Modification Agreement between Fleet National Bank and RD Branch Associates dated June 30, 2004 (19)
- 10.49c Mortgage Modification Agreement between Fleet National Bank and RD Methuen Associates dated June 30, 2004 (19)
- 10.49d Mortgage Modification Agreement between Fleet National Bank and RD Abington Associates Limited Partnership dated June 30, 2004 (19)
- 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 (19)
- 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 (19)

- 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 (19)
- 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 (19)
- 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 Partnership (18)

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 June 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 June 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) Filed herewith.
- (20) Management contract or compensatory plan or arrangement.

**SIGNATURES**

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

**ACADIA REALTY TRUST  
(Registrant)**By: /s/ KENNETH F. BERNSTEIN

Kenneth F. Bernstein  
Chief Executive Officer,  
President and Trustee

Dated: March 14, 2005

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Kenneth F. Bernstein</u> (Kenneth F. Bernstein)	Chief Executive Officer, President and Trustee (Principal Executive Officer)	March 14, 2005
<u>/s/ Michael Nelsen</u> (Michael Nelsen)	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2005
<u>/s/ Jon Grisham</u> (Jon Grisham)	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 14, 2005
<u>/s/ Douglas Crocker II</u> Douglas Crocker II	Trustee	March 14, 2005
<u>/s/ Alan S. Forman</u> (Alan S. Forman)	Trustee	March 14, 2005
<u>/s/ Suzanne Hopgood</u> (Suzanne Hopgood)	Trustee	March 14, 2005
<u>/s/ Lorrence T. Kellar</u> Lorrence T. Kellar	Trustee	March 14, 2005
<u>/s/ Wendy Luscombe</u> (Wendy Luscombe)	Trustee	March 14, 2005
<u>/s/ Lee S. Wielansky</u> (Lee S. Wielansky)	Trustee	March 14, 2005

**EXHIBIT INDEX**

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

<b>Exhibit No.</b>	<b>Description</b>
3.4	First Amendment to By-Laws of the Company
10.44	Prospectus Supplement Regarding Options Issued under the Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan
10.45	Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form
10.46	Amended, Restated And Consolidated Promissory Note between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004
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
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 June 30, 2004
10.49	Mortgage Modification Agreement between Fleet National Bank and Acadia Town Line, LLC dated June 30, 2004
10.49a	Mortgage Modification Agreement between Fleet National Bank and Heathcote Associates, L.P. dated June 30, 2004
10.49b	Mortgage Modification Agreement between Fleet National Bank and RD Branch Associates dated June 30, 2004
10.49c	Mortgage Modification Agreement between Fleet National Bank and RD Methuen Associates dated June 30, 2004
10.49d	Mortgage Modification Agreement between Fleet National Bank and RD Abington Associates Limited Partnership dated June 30, 2004
21	List of Subsidiaries of Acadia Realty Trust
23	Consent of Independent Auditors to Form S-3 and Form S-8
31.1	Certification of Chief Executive Officer pursuant to rule 13a – 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to rule 13a – 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ACADIA REALTY TRUST AND SUBSIDIARIES  
INDEX TO FINANCIAL STATEMENTS

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<a href="#">Consolidated Statements of Shareholders' Equity for the years ended December 31, 2004, 2003 and 2002</a>	<a href="#">F-6</a>
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002</a>	<a href="#">F-7</a>
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**Report of Independent Registered Public Accounting Firm**

The Shareholders and Trustees of  
Acadia Realty Trust

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust and subsidiaries (the “Company”) as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Realty Trust and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Acadia Realty Trust and subsidiaries’ internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York  
March 10, 2005



**Part I. Financial Information****Item 1. Financial Statements**

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

	December 31,	
	2004	2003
<b>ASSETS</b>		
Real estate:		
Land	\$ 53,804	\$ 53,804
Buildings and improvements	362,477	354,476
Construction in progress	5,896	5,858
	422,177	414,138
Less: accumulated depreciation	107,352	93,670
Net real estate	314,825	320,468
Cash and cash equivalents	13,499	14,159
Restricted cash	612	504
Cash in escrow	4,467	3,342
Investment in management contracts, net of accumulated amortization of \$578	3,422	—
Investments in and advances to unconsolidated partnerships	18,135	13,630
Rents receivable, net	10,891	10,157
Notes receivable	10,087	3,586
Prepaid expenses	3,029	2,976
Deferred charges, net	13,478	11,140
Other assets	3,898	1,731
Assets of discontinued operations	—	6,491
	\$ 396,343	\$ 388,184
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Mortgage notes payable	\$ 153,361	\$ 174,847
Accounts payable and accrued expenses	7,640	5,639
Dividends and distributions payable	5,597	4,619
Due to related parties	—	48
Derivative instruments	2,136	4,044
Other liabilities	3,134	3,712
Liabilities of discontinued operations	—	15,856
Total liabilities	171,868	208,765
Minority interest in Operating Partnership	5,743	7,875
Minority interests in majority- owned partnerships	1,808	1,810
Total minority interests	7,551	9,685
Shareholders' equity:		
Common shares, \$.001 par value, authorized 100,000,000 shares, issued and outstanding 31,340,637 and 27,409,141 shares, respectively	31	27
Additional paid-in capital	222,715	177,891
Accumulated other comprehensive loss	(3,180)	(5,505)
Deficit	(2,642)	(2,679)
Total shareholders' equity	216,924	169,734
	\$ 396,343	\$ 388,184

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

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

	Years ended December 31,		
	2004	2003	2002
<b>Revenues</b>			
Minimum rents	\$ 51,469	\$ 48,912	\$ 46,643
Percentage rents	952	988	1,064
Expense reimbursements	13,350	13,222	10,988
Lease termination income	—	—	3,945
Other property income	643	748	535
Management fee income (net of submanagement fees of \$1,591)	4,763	1,971	1,314
Interest income	1,469	788	2,062
Other	210	1,218	504
<b>Total revenues</b>	<b>72,856</b>	<b>67,847</b>	<b>67,055</b>
<b>Operating Expenses</b>			
Property operating	14,908	14,726	11,965
Real estate taxes	9,025	8,469	8,086
General and administrative	10,468	10,734	10,173
Depreciation and amortization	15,650	17,374	14,221
Abandoned project costs	—	—	274
<b>Total operating expenses</b>	<b>50,051</b>	<b>51,303</b>	<b>44,719</b>
Operating income	22,805	16,544	22,336
Equity in earnings of unconsolidated partnerships	1,797	2,411	628
Interest expense	(10,446)	(9,954)	(9,720)
Gain on sale of land	932	1,187	1,530
Minority interest	(1,197)	(1,433)	(3,032)
<b>Income from continuing operations</b>	<b>13,891</b>	<b>8,755</b>	<b>11,742</b>
<b>Discontinued operations:</b>			
Operating (loss) income from discontinued operations	(886)	(988)	907
Impairment of real estate	—	—	(197)
Gain on sale of properties	6,696	—	8,132
Minority interest	(116)	86	(1,185)
<b>Income (loss) from discontinued operations</b>	<b>5,694</b>	<b>(902)</b>	<b>7,657</b>
<b>Net income</b>	<b>\$ 19,585</b>	<b>\$ 7,853</b>	<b>\$ 19,399</b>

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

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

	Years ended December 31,		
	2004	2003	2002
<b>Basic earnings per share</b>			
Income from continuing operations	\$ 0.47	\$ 0.33	\$ 0.47
Income (loss) from discontinued operations	0.20	(0.03)	0.30
Basic earnings per share	\$ 0.67	\$ 0.30	\$ 0.77
<b>Diluted earnings per share</b>			
Income from continuing operations	\$ 0.46	\$ 0.32	\$ 0.46
Income (loss) from discontinued operations	0.19	(0.03)	0.30
Diluted earnings per share	\$ 0.65	\$ 0.29	\$ 0.76

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

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

	Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance, December 31, 2001	28,698	29	189,378	(1,206)	(9,103)	179,098
Conversion of 2,086,736 OP Units to Common Shares by limited partners of the Operating Partnership	2,087	2	14,901	—	—	14,903
Dividends declared (\$0.52 per Common Share)	—	—	—	—	(12,975)	(12,975)
Repurchase of Common Shares	(5,525)	(6)	(33,414)	—	—	(33,420)
Forfeiture of restricted Common Shares	(3)	—	(14)	—	—	(14)
Unrealized loss on valuation of swap agreements	—	—	—	(5,668)	—	(5,668)
Net income	—	—	—	—	19,399	19,399
<b>Balance at December 31, 2002</b>	<b>25,257</b>	<b>25</b>	<b>170,851</b>	<b>(6,874)</b>	<b>(2,679)</b>	<b>161,323</b>
Conversion of 2,058,804 OP Units to Common Shares by limited partners of the Operating Partnership	2,059	2	14,898	—	—	14,900
Conversion of 632 Preferred OP Units to Common Shares by limited partners of the Operating Partnership	84	—	632	—	—	632
Employee restricted share award	8	—	410	—	—	410
Settlement of vested options	—	—	(750)	—	—	(750)
Dividends declared (\$0.595 per Common Share)	—	—	(8,160)	—	(7,853)	(16,013)
Employee exercise of 250 options	—	—	2	—	—	2
Unrealized gain on valuation of swap agreements	—	—	—	1,369	—	1,369
Common Shares purchased under Employee Stock Purchase Plan	1	—	8	—	—	8
Net income	—	—	—	—	7,853	7,853
<b>Balance at December 31, 2003</b>	<b>27,409</b>	<b>\$ 27</b>	<b>\$ 177,891</b>	<b>\$ (5,505)</b>	<b>\$ (2,679)</b>	<b>\$ 169,734</b>
Conversion of 746,762 OP Units to Common Shares by limited partners of the Operating Partnership	747	1	6,395	—	—	6,396
Shares issued to Trustees and Employees	5	—	443	—	—	443
Employee restricted share award	22	—	394	—	—	394
Settlement of vested options	—	—	(67)	—	—	(67)
Dividends declared (\$0.6525 per Common Share)	—	—	—	—	(19,548)	(19,548)
Employee and Trustee exercise of 1,262,000 options	1,262	1	9,265	—	—	9,266
Unrealized gain on valuation of swap agreements	—	—	—	2,325	—	2,325
Common Shares issued under Employee Stock Purchase Plan	6	—	84	—	—	84
Issuance of 1,890,000 Common Shares, net of issuance costs	1,890	2	28,310	—	—	28,312
Net income	—	—	—	—	19,585	19,585
	<b>31,341</b>	<b>31</b>	<b>222,715</b>	<b>(3,180)</b>	<b>(2,642)</b>	<b>216,924</b>

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

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

	Years ended December 31,		
	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 19,585	\$ 7,853	\$ 19,399
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,077	17,909	16,429
Gain on sale of land	(932)	(1,187)	(1,530)
Gain on sale of properties	(6,696)	—	(8,132)
Minority interests	1,313	1,347	4,217
Abandoned project costs	—	—	274
Equity in earnings of unconsolidated partnerships	(1,797)	(2,411)	(628)
Amortization of derivative settlement included in interest expense	99	—	—
Provision for bad debts	783	523	602
Adjustment to carrying value of propeerty held for sale	—	—	197
Changes in assets and liabilities:			
Restricted cash	(108)	(504)	—
Funding of escrows, net	(1,125)	105	(161)
Rents receivable	(1,288)	(3,958)	(1,135)
Prepaid expenses	99	(1,085)	266
Other assets	(3,004)	(891)	1,266
Accounts payable and accrued expenses	2,464	218	(534)
Due to/from related parties	(974)	(126)	67
Other liabilities	(673)	785	(1,131)
Net cash provided by operating activities	23,823	18,578	29,466
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditures for real estate and improvements	(7,139)	(13,531)	(14,408)
Net proceeds from sale of property	—	—	24,169
Payment of accrued expense related to redevelopment project	—	(2,488)	—
Investment in and advances to unconsolidated partnerships	(16,422)	(6,032)	(2,956)
Distributions from unconsolidated partnerships	16,781	1,602	1,049
Collections on notes receivable	3,929	3,232	41,042
Payment of deferred leasing costs	(2,378)	(2,183)	(801)
Proceeds from sale of land	932	—	—
Advances of notes receivable	(10,429)	—	—
Net cash (used in) provided by investing activities	(14,726)	(19,400)	48,095

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

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

	Years ended December 31,		
	2004	2003	2002
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Principal payments on mortgage notes payable	\$ (100,928)	\$ (32,917)	\$ (24,565)
Proceeds received on mortgage notes payable	76,251	21,000	7,758
Payment of deferred financing and other costs	(1,630)	(241)	(812)
Dividends paid	(18,507)	(14,896)	(13,131)
Distributions to minority interests in Operating Partnership	(416)	(1,207)	(2,023)
Distributions on Preferred Operating Partnership Units	(283)	(199)	(199)
Distributions to minority interests in majority-owned partnership	(606)	(985)	(139)
Settlement of vested options	(67)	(750)	—
Repurchase of Common Shares	—	—	(33,420)
Common Shares issued under Employee Stock Purchase Plan	84	8	—
Exercise of options to purchase Common Shares	9,340	—	—
Termination of derivative instrument	(1,307)	—	—
Issuance of Common Shares	28,312	—	—
<b>Net cash used in financing activities</b>	<b>(9,757)</b>	<b>(30,187)</b>	<b>(66,531)</b>
(Decrease) increase in cash and cash equivalents	(660)	(31,009)	11,030
Cash and cash equivalents, beginning of year	14,159	45,168	34,138
<b>Cash and cash equivalents, end of year</b>	<b>\$ 13,499</b>	<b>\$ 14,159</b>	<b>\$ 45,168</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for interest, net of amounts capitalized of \$304, \$403 and \$931, respectively	\$ 11,473	\$ 11,242	\$ 12,346
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Notes received in connection with sale of properties	\$ —	\$ —	\$ 22,425
Disposition of real estate through assumption of debt	\$ 12,405	\$ —	\$ 42,438
Acquisition of management contract rights through issuance of preferred Operating Partnership Units	\$ 4,000	\$ —	\$ —

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

(In thousands, except per share amounts)

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

Acadia Realty Trust (the “Company”) is a fully integrated and self-managed real estate investment trust (“REIT”) which specializes in the acquisition, redevelopment and operation of shopping centers which are anchored by grocery and value-oriented retail.

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and its majority owned partnerships. As of December 31, 2004, the Company controlled 99% of the Operating Partnership as the sole general partner. As the general partner, the Company is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners represent entities or individuals who contributed their interests in certain properties or partnerships to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common or Preferred OP Units”). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Company (“Common Shares”). This structure is commonly referred to as an umbrella partnership REIT or “UPREIT”.

On August 12, 1998, the Company completed a major reorganization (“RDC Transaction”) in which it acquired twelve shopping centers, five multi-family properties and a 49% interest in one shopping center along with certain third party management contracts and promissory notes from real estate investment partnerships (“RDC Funds”) managed by affiliates of RD Capital, Inc. In exchange for these and a cash investment of \$100,000, the Company issued 11.1 million Common OP Units and 15.3 million Common Shares to the RDC Funds. After giving effect to the conversion of the Common OP Units, the RDC Funds beneficially owned 72% of the Common Shares as of the closing of the RDC Transaction. During February of 2003, the Company issued OP Units and cash valued at \$2,750 to certain limited partners in connection with an obligation from the RDC Transaction. The payment was due upon the commencement of rental payments from a designated tenant at one of the properties acquired in the RDC Transaction.

As of December 31, 2004, the Company operated 69 properties, which it owns or has an ownership interest in, consisting of 64 neighborhood and community shopping centers, one shopping center under development, one enclosed mall, one mixed-use property (retail/residential) and two multi-family properties, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States and, in total, comprise approximately 9.6 million square feet.

#### *Principles of Consolidation*

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

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

#### *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

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

*Properties*

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

The Company reviews its long-lived assets used in operations for impairment when there is an event, or change in circumstances that indicates impairment in value. The Company records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying cost to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell. During the year ended December 31, 2002, an impairment loss of \$197 was recognized related to a property that was sold as of December 31, 2002. Management does not believe that the values of its properties within the portfolio are impaired as of December 31, 2004.

*Deferred Costs*

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

*Management Contracts*

Income from management contracts, net of submanagement fees, is recognized on an accrual basis as such fees are earned. The initial acquisition cost of the management contracts is being amortized over the estimated lives of the contracts acquired.

*Revenue Recognition*

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases. As of December 31, 2004 and 2003 unbilled rents receivable relating to straight-lining of rents were \$6,506 and \$5,873, respectively.

Percentage rents are recognized in the period when the tenant sales breakpoint is met.

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

An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Rents receivable at December 31, 2004 and 2003 are shown net of an allowance for doubtful accounts of \$2,841 and \$2,420, respectively.

Interest income from notes receivable is recognized on an accrual basis based on the contractual terms of the notes.

*Cash and Cash Equivalents*

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

*Cash in Escrow*

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



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

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

*Income Taxes*

The Company has made an election to be taxed, and believes it qualifies as a REIT under Sections 856 through 858 of the Internal Revenue Code of 1986, as amended (the "Code"). To maintain REIT status for federal income tax purposes, the Company is generally required to distribute to its stockholders at least 90% of its REIT taxable income as well as comply with certain other requirements as defined by the Code. The Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year. Accordingly, no provision has been made for Federal income taxes for the Company in the accompanying consolidated financial statements. The Company is subject to state income or franchise taxes in certain states in which some of its properties are located. These state taxes, which in total are not significant, are included in general and administrative expenses in the accompanying consolidated financial statements.

*Stock-based Compensation*

Prior to 2002, the Company accounted for stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Effective January 1, 2002, the Company adopted the fair value method of recording stock-based compensation contained in SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). As such, all stock options granted after December 31, 2001 are reflected as compensation expense in the Company's consolidated financial statements over their vesting period based on the fair value at the date the stock-based compensation was granted. As provided for in SFAS No. 123, the Company elected the "prospective method" for the adoption of the fair value basis method of accounting for employee stock options. Under this method, the recognition provisions will be applied to all employee awards granted, modified or settled after January 1, 2002.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value based method of accounting for stock-based employee compensation for stock options granted prior to January 1, 2002. See Note 11 – "Share Incentive Plan" for the assumptions utilized in valuing stock options:

	Years ended December 31,		
	2004	2003	2002
<b>Net income:</b>			
As reported	\$ 19,585	\$ 7,853	\$ 19,399
Pro forma	\$ 19,561	\$ 7,829	\$ 19,363
<b>Basic earnings per share:</b>			
As reported	\$ 0.67	\$ 0.30	\$ 0.77
Pro forma	\$ 0.67	\$ 0.29	\$ 0.76
<b>Diluted earnings per share:</b>			
As reported	\$ 0.65	\$ 0.29	\$ 0.76
Pro forma	\$ 0.65	\$ 0.29	\$ 0.76

*Recent Accounting Pronouncements*

On December 16, 2004, the FASB issued SFAS No. 153: Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29. The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe the adoption of SFAS No. 153 on June 15, 2005 will have a material effect on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123: (Revised 2004) - Share-Based Payment ("SFAS No. 123R"). SFAS 123R replaces SFAS No. 123, which the Company adopted on January 1, 2003. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements and be measured based on the fair value of the equity or liability instruments issued. SFAS No. 123R is effective as of the first interim or annual reporting period that begins after June 15, 2005. The Company does not believe that the adoption of SFAS No. 123R will have a material effect on the Company's consolidated financial statements.

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

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

*Comprehensive income*

The following table sets forth comprehensive income for the years ended December 31, 2004, 2003 and 2002:

	Years ended December 31,		
	2004	2003	2002
Net income	\$ 19,585	\$ 7,853	\$ 19,399
Other comprehensive income (loss) (1)	2,325	1,369	(5,668)
Comprehensive income	\$ 21,910	\$ 9,222	\$ 13,731

Notes:

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

The following table sets forth the change in accumulated other comprehensive loss for the years ended December 31, 2004, 2003 and 2002:

	Years ended December 31,		
	2004	2003	2002
Beginning balance	\$ 5,505	\$ 6,874	\$ 1,206
Unrealized (gain) loss on valuation of derivative instruments	(2,325)	(1,369)	5,668
Ending balance	\$ 3,180	\$ 5,505	\$ 6,874

As of December 31, 2004, the balance in accumulated other comprehensive loss related solely to amounts attributable to interest rate swap agreements accounted for as cash flow hedges.

*Reclassifications*

Certain 2003 and 2002 amounts were reclassified to conform to the 2004 presentation.

**2. Acquisition and Disposition of Properties**

Currently the primary vehicle for the Company's acquisitions are through its acquisition joint ventures (Note 4).

A significant component of the Company's business plan in prior years was also the disposition of non-core real estate assets. Under this initiative, which was completed in 2002, the Company sold a total of two apartment complexes and 23 shopping centers.

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

*2002 Acquisitions and Dispositions*

On November 8, 2002, the Company and an unaffiliated joint venture partner completed the sale of a contract to purchase land in Bethel, Connecticut, to the Target Corporation for \$1,540 after closing and other related costs. The joint venture received a \$1,632 note receivable for the net purchase price and additional reimbursements due from the buyer and deferred recognition of the gain on sale in accordance with SFAS No. 66. The note was paid in full on January 10, 2003, and as such, the Company's share of the deferred gain, or \$634, was recognized in 2003. Additional amounts held in escrow from the closing of \$932 were released to the Company during 2004 and recognized as additional gain. Of this amount, \$466 was attributable to the Company's joint venture partner and reflected in minority interest in the accompany consolidated statement of income.

On October 11, 2002, the Company sold the Manahawkin Village Shopping Center and Valmont Plaza for \$16,825 to two entities affiliated with each other. The Company received two purchase money notes in connection with the sale. The first for \$11,000 was repaid in full on November 8, 2002. The second for \$1,600, was repaid in full on April 11, 2003. As part of the transaction, the Company repaid \$3,084 of mortgage debt secured by the Valmont Plaza. The \$4,049 of mortgage debt secured by the Manahawkin Village Shopping Center was repaid in full on September 27, 2002, prior to the sale. The Company recorded a \$166 gain on the sale.

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

## 2. Acquisition and Disposition of Properties, continued

On April 24, 2002, the Company sold a multi-property portfolio for \$52,700. The portfolio consisted of 17 retail properties, which were cross-collateralized in a securitized loan program and in the aggregate contained approximately 2.3 million square feet. As part of the transaction, the buyer assumed the outstanding mortgage debt of \$42,438. The Company retained a senior, preferred interest in the acquiring entity in the amount of \$6,262, which earned an initial annual preferred return of 15%. On December 31, 2002, the Company's interest was purchased at par by an affiliate of the purchaser of the portfolio. The Company recorded an \$8,134 gain on the sale.

On January 16, 2002, the Company sold Union Plaza, a 218,000 square foot shopping center located in New Castle, Pennsylvania, for \$4,750. The Company received a \$3,563 purchase money note. The note, which was extended and now matures January 15, 2006, requires monthly interest of 7% for year one, increasing at a rate of 1% per annum throughout the term. As part of the transaction, the Company agreed to reimburse the purchaser 50% of a former tenant's rent, or \$22 a month, through July 15, 2003. The Company recorded a loss of \$166 on the sale.

On January 10, 2002, the Company and an unaffiliated joint venture partner purchased a three-acre site located in the Bronx, New York, for \$3,109. Simultaneously, the joint venture sold approximately 46% of the land to a self-storage facility for \$3,300, recognizing a \$1,530 gain on the sale of which the Company's share was \$957. The joint venture is currently redeveloping the remaining parcel

### Discontinued Operations

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

The results of operations of sold properties is reported separately as discontinued operations for the years ended December 31, 2004, 2003 and 2002. Revenues from discontinued operations for the years ended December 31, 2004, 2003, and 2002 totaled \$1,354, \$1,598, and \$8,587 respectively.

On November 22, 2004, the Company disposed of the East End Centre, a 308,000 square foot shopping center in Wilkes-Barre, Pennsylvania, for approximately \$12,405 resulting in a \$6,696 gain on the sale. The assets, liabilities, revenues and expenses of the properties classified as discontinued operations are summarized as follows:

	December 31, 2003
<b>ASSETS</b>	
Net real estate	\$ 6,070
Rents receivable, net	237
Prepaid expenses	151
Deferred charges, net	33
	6,491
<b>LIABILITIES AND DEFICIT</b>	
Mortgage notes payable	15,597
Accounts payable and accrued expenses	165
Other liabilities	94
Total liabilities	15,856
Deficit	(9,365)
Total liabilities and deficit	\$ 6,491

	Years ended December 31,		
	2004	2003	2002
Total revenues	1,354	1,598	8,587
Total expenses	2,356	2,500	9,062
	(1,002)	(902)	(475)
Gain on sale of properties	6,696	—	8,132
Income (loss) from discontinued operations	\$ 5,694	\$ (902)	\$ 7,657

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

### 3. Segment Reporting

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with the retail versus residential tenants. The following table sets forth certain segment information for the Company, reclassified for discontinued operations, as of and for the years ended December 31, 2004, 2003, and 2002 (does not include unconsolidated partnerships):

	<u>2004</u>			
	<u>Retail Properties</u>	<u>Multi-Family Properties</u>	<u>All Other</u>	<u>Total</u>
Revenues	\$ 58,799	\$ 7,596	\$ 6,461	\$ 72,856
Property operating expenses and real estate taxes	19,799	4,134	—	23,933
Net property income before depreciation and amortization	\$ 39,000	\$ 3,462	\$ 6,461	\$ 48,923
Depreciation and amortization	\$ 13,889	\$ 1,433	\$ 328	\$ 15,650
Interest expense	\$ 8,928	\$ 1,518	\$ —	\$ 10,446
Real estate at cost	\$ 381,562	\$ 40,615	\$ —	\$ 422,177
Total assets	\$ 338,722	\$ 36,872	\$ 20,749	\$ 396,343
Gross leasable area (multi-family – 1,474 units)	4,848	1,207	—	6,055
Expenditures for real estate and improvements	\$ 6,297	\$ 842	\$ —	\$ 7,139
Revenues				
Total revenues for reportable segments	\$ 74,983			
Elimination of intersegment management fee income	(1,290)			
Elimination of intersegment asset management fee income	(708)			
Elimination of intersegment service fees and interest income	(129)			
Total consolidated revenues	\$ 72,856			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 25,059			
Elimination of intersegment management fee expense	(1,126)			
Total consolidated expenses	\$ 23,933			
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 48,923			
Depreciation and amortization	(15,650)			
General and administrative	(10,468)			
Equity in earnings of unconsolidated partnerships	1,797			
Interest expense	(10,446)			
Gain on sale of property	932			
Income from discontinued operations	5,694			
Minority interest	(1,197)			
Net income	\$ 19,585			

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

**3. Segment Reporting, continued**

	<u>2003</u>			
	<u>Retail Properties</u>	<u>Multi-Family Properties</u>	<u>All Other</u>	<u>Total</u>
Revenues	\$ 56,552	\$ 7,318	\$ 3,977	\$ 67,847
Property operating expenses and real estate taxes	19,008	4,187	—	23,195
Net property income before depreciation and amortization	\$ 37,544	\$ 3,131	\$ 3,977	\$ 44,652
Depreciation and amortization	\$ 15,717	\$ 1,336	\$ 321	\$ 17,374
Interest expense	\$ 8,424	\$ 1,530	\$ —	\$ 9,954
Real estate at cost	\$ 374,364	\$ 39,774	\$ —	\$ 414,138
Total assets	\$ 337,724	\$ 36,830	\$ 13,630	\$ 388,184
Gross leasable area (multi-family – 1,474 units)	\$ 4,848	\$ 1,207	\$ —	\$ 6,055
Expenditures for real estate and improvements	\$ 12,003	\$ 1,378	\$ —	\$ 13,381
Revenues				
Total revenues for reportable segments	\$ 69,487			
Elimination of intersegment management fee income	(1,340)			
Elimination of intersegment asset management fee income	(300)			
Total consolidated revenues	\$ 67,847			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 24,352			
Elimination of intersegment management fee expense	(1,157)			
Total consolidated expense	\$ 23,195			
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 44,652			
Depreciation and amortization	(17,374)			
General and administrative	(10,734)			
Equity in earnings of unconsolidated partnerships	2,411			
Interest expense	(9,954)			
Gain on sale of land	1,187			
Loss from discontinued operations	(902)			
Minority interest	(1,433)			
Net income	\$ 7,853			

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

**3. Segment Reporting, continued**

	<b>2002</b>			
	<u>Retail Properties</u>	<u>Multi-Family Properties</u>	<u>All Other</u>	<u>Total</u>
Revenues	\$ 56,206	\$ 6,969	\$ 3,880	\$ 67,055
Property operating expenses and real estate taxes	16,360	3,691	—	20,051
Net property income before depreciation and amortization	\$ 39,846	\$ 3,278	\$ 3,880	\$ 47,004
Depreciation and amortization	\$ 12,704	\$ 1,201	\$ 316	\$ 14,221
Interest expense	\$ 8,093	\$ 1,627	\$ —	\$ 9,720
Real estate at cost	\$ 362,142	\$ 38,396	\$ —	\$ 400,538
Total assets	\$ 368,547	\$ 36,224	\$ 6,164	\$ 410,935
Gross leasable area (multi-family – 1,474 units)	4,848	1,207	—	6,055
Expenditures for real estate and improvements	\$ 13,107	\$ 1,000	\$ —	\$ 14,107
Revenues				
Total revenues for reportable segments	\$ 68,121			
Elimination of intersegment management fee income	(1,066)			
Total consolidated revenues	\$ 67,055			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	\$ 21,108			
Elimination of intersegment management fee expense	(1,057)			
Total consolidated expense	\$ 20,051			
Reconciliation to net income				
Net property income before depreciation and amortization	\$ 47,004			
Depreciation and amortization	(14,221)			
General and administrative and abandoned project costs	(10,447)			
Equity in earnings of unconsolidated partnerships	628			
Interest expense	(9,720)			
Gain on sale of land	1,530			
Income from discontinued operations	7,657			
Minority interest	(3,032)			
Net income	\$ 19,399			

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

#### 4. Investments in Unconsolidated Partnerships

##### Crossroads

The Company owns a 49% interest in the Crossroads Joint Venture, LLC and Crossroads II, LLC (collectively, "Crossroads") which collectively own a 311,000 square foot shopping center in White Plains, New York. The Company accounts for its investment in Crossroads using the equity method. Summary financial information of Crossroads and the Company's investment in and share of income from Crossroads follows:

	December 31,	
	2004	2003
<b>Balance Sheets</b>		
<b>Assets:</b>		
Rental property, net	\$ 6,939	\$ 7,402
Other assets	6,129	3,710
<b>Total assets</b>	<b>\$ 13,068</b>	<b>\$ 11,112</b>
<b>Liabilities and partners' equity</b>		
Mortgage note payable	\$ 64,000	\$ 32,961
Other liabilities	2,481	4,696
Partners' equity	(53,413)	(26,545)
<b>Total liabilities and partners' equity</b>	<b>\$ 13,068</b>	<b>\$ 11,112</b>
<b>Company's investment</b>	<b>\$ (9,304)</b>	<b>\$ 3,665</b>

	Years Ended December 31,		
	2004	2003	2002
<b>Statements of Income</b>			
Total revenue	\$ 8,160	\$ 8,324	\$ 7,091
Operating and other expenses	2,707	2,465	2,150
Interest expense	2,740	2,542	2,722
Depreciation and amortization	778	570	547
<b>Net income</b>	<b>\$ 1,935</b>	<b>\$ 2,747</b>	<b>\$ 1,672</b>
Company's share of net income	\$ 1,112	\$ 1,377	\$ 934
Amortization of excess investment (See below)	392	392	392
<b>Income from partnerships</b>	<b>\$ 720</b>	<b>\$ 985</b>	<b>\$ 542</b>

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

##### Acadia Strategic Opportunity Fund, LP ("Fund I")

In 2001, the Company formed a joint venture, Fund I, with four of its institutional investors for the purpose of acquiring real estate assets. The total committed capital for Fund I is \$90,000, of which the Company's share is \$20,000. The Company is the sole general partner with 22% interest in the joint venture and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. The Company also earns market-rate fees for asset management as well as for property management, construction and leasing services. 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, which is comprised of representatives from each of the four institutional investors.

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

**4. Investments in Unconsolidated Partnerships, continued**

Acquisitions completed during 2004 and 2003 were as follows:

On March 11, 2004, Fund I, in conjunction with the Company's long-time investment partner, Hendon Properties ("Hendon"), purchased a \$9,600 first mortgage loan from New York Life Insurance Company for \$5,500. The loan, which was secured by a 235,000 square foot shopping center in Aiken, South Carolina, was in default at acquisition. Fund I and Hendon acquired the loan with the intention of pursuing ownership of the property securing the debt. Fund I provided 90% of the equity capital and Hendon provided the remaining 10% of the equity capital used to acquire the loan. Hendon is entitled to receive profit participation in excess of its proportionate equity interest. The property is currently anchored by a Kroger supermarket and was only 56% occupied at acquisition due to the vacancy of a former Kmart store. Subsequent to the acquisition of the loan, Fund I and Hendon obtained fee title to this property and currently plan to redevelop and re-anchor the center. The Company loaned \$3,150 to Fund I in connection with the purchase of the first mortgage loan. The note matures March 9, 2006, and bears interest at 7% for the first year and 6% for the second year. In addition to its loan to Fund I, the Company invested approximately \$900, primarily its pro-rata share of equity as a partner in Fund I. In September 2004, Fund I and Hendon purchased the Pine Log Plaza for \$1,500. The 35,000 square foot center is located in front of and adjacent to the Hitchcock Plaza. Related to this transaction, the Company provided an additional \$750 loan to Fund I with a March 2006 maturity and interest at 7% for the first year and 6% for the second year.

In May 2004, Fund I acquired a 50% interest in Haygood Shopping Center and Sterling Heights Shopping Center for an aggregate investment of \$3,184. These assets are part of the portfolio that the Company currently manages as a result of its January 2004 acquisition of certain management contracts. The Haygood Shopping Center is a 165,000 square foot shopping center located in Virginia Beach, Virginia. The Sterling Heights Shopping Center is a 141,000 square foot shopping center located in Sterling Heights, Michigan.

In May 2004, Fund I and an unaffiliated partner, each with a 50% interest, acquired a 35,000 square foot shopping center in Tarrytown, New York, for approximately \$5,300. Related to this acquisition, the Company loaned \$2,000 to Fund I which bears interest at the prime rate and matures May 2005.

In January 2003, Fund I and an unaffiliated joint venture party acquired a one million square foot supermarket portfolio consisting of twenty-five anchor-only leases with either Kroger or Safeway supermarkets ("Kroger/Safeway Portfolio"). The portfolio was acquired through long-term ground leases with terms, including renewal options, averaging in excess of 80 years, which are master leased to a non-affiliated entity. The purchase price of \$48,900 (inclusive of closing and other related acquisition costs) included the assumption of \$34,450 of existing fixed-rate debt which bears interest at a weighted-average rate of 6.6%. The mortgage debt fully amortizes over the next seven years, which is coterminous with the primary lease term of the supermarket leases. Fund I invested \$11,250 of the equity capitalization of which the Company's share was \$2,500.

In January 2003, Fund I acquired a one million square foot portfolio for an initial purchase price of \$86,287, inclusive of closing and other related acquisition costs. The portfolio consists of two shopping centers located in Wilmington, Delaware ("Brandywine Portfolio"). A portion of one of the properties is currently unoccupied, which Fund I will pay for on an "earn-out" basis only when it is leased. To date, Fund I has incurred costs of \$20,600 for Earn-out space. At closing, Fund I assumed \$38,082 of fixed-rate debt which bears interest at a weighted average rate of 6.2% as well as obtained an additional fixed-rate loan of \$30,000 which bears interest at 4.7%. Fund I invested equity of \$19,270 in the acquisition, of which the Company's share was \$4,282.

The Company accounts for its investment in Fund I using the equity method. Summary financial information of Fund I and the Company's investment in and share of income from Fund I is as follows:

	December 31,	
	2004	2003
<b>Balance Sheets</b>		
<b>Assets:</b>		
Rental property, net	\$ 187,046	\$ 173,507
Other assets	13,077	4,763
<b>Total assets</b>	<b>\$ 200,123</b>	<b>\$ 178,270</b>
<b>Liabilities and partners' equity</b>		
Mortgage note payable	\$ 120,188	\$ 120,609
Other liabilities	24,060	11,731
Partners' equity	55,875	45,930
<b>Total liabilities and partners' equity</b>	<b>\$ 200,123</b>	<b>\$ 178,270</b>
<b>Company's investment</b>	<b>\$ 12,115</b>	<b>\$ 9,965</b>



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

**4. Investments in Unconsolidated Partnerships, continued**

*Acadia Strategic Opportunity Fund, LP ("Fund I"), continued*

	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
<b>Statements of Income</b>			
Total revenue	\$ 26,664	\$ 26,008	\$ 1,224
Operating and other expenses	5,807	5,017	342
Management and other fees	2,106	2,171	1,391
Interest expense	6,673	6,399	350
Depreciation and amortization	8,731	8,055	145
Minority interest	166	157	—
Loss in unconsolidated subsidiary	207	—	—
<b>Net income (loss)</b>	<b>\$ 2,974</b>	<b>\$ 4,209</b>	<b>\$ (1,004)</b>
<b>Company's share of net income</b>	<b>\$ 1,170</b>	<b>\$ 1,426</b>	<b>\$ 86</b>

*Acadia Strategic Opportunity Fund II, LLC ("Fund II")*

In June of 2004, the Company formed a joint venture, Fund II, with the investors from Fund I as well as two new institutional investors for the purpose of acquiring real estate assets. The total committed capital for Fund II is \$300,000, of which the Company's share is \$60,000. The Company is the sole managing member with 20% interest in the joint venture and is also entitled to a profit participation in excess of its invested capital based on certain investment return thresholds. The Company also earns market-rate fees for asset management as well as for property management, construction, legal and leasing services. Decisions made by the managing member as it relates to purchasing, financing and disposition of properties are subject to the unanimous disapproval of the Advisory Committee, which is comprised of representatives from each of the six institutional investors.

On September 29, 2004, in conjunction with an investment partner, P/A Associates, LLC ("P/A"), Fund II purchased 400 East Fordham Road in the Bronx, NY for \$30,197, inclusive of closing and other related acquisition costs. The Company had provided a bridge loan of \$18,000 to Fund II in connection with this acquisition. Subsequent to the acquisition, Fund II repaid this loan from the Company with \$18,000 of proceeds from a new loan from a bank which bears interest at LIBOR plus 175 basis points and matures September 2014.

On October 1, 2004, Fund II initiated its second urban/infill project in conjunction with P/A. Fund II entered into a 95-year ground lease to redevelop a 16-acre site in Pelham Manor, Westchester County, New York.

At December 31, 2004, Fund II had total assets of \$33,492, total liabilities of \$18,321 (including mortgage debt of \$18,000) and members equity of \$15,171 of which the company's share was \$2,760. For the period ended December 31, 2004, Fund II had revenues of \$885, expenses of \$3,457, and net loss of \$2,572, of which the Company's share was \$93.

*Other*

In September 2004, affiliates of Funds I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyn's from the Target Corporation as part of an investment consortium of Sun Capital and Cerberus. The total acquisition price was approximately \$1,175,000 subject to debt of approximately \$800,000. Each of the affiliates of Funds I and II invested approximately \$11,600, of which the Company's share of equity totaled \$4,898.

Included in investments in and advances to unconsolidated partnerships at December 31, 2004 are advances aggregating \$7,666.

**5. Deferred Charges**

Deferred charges consist of the following as of December 31, 2004 and 2003:

	2004	2003
Deferred financing costs	\$ 7,263	\$ 6,372
Deferred leasing and other costs	17,743	15,286
	25,006	21,658
Accumulated amortization	(11,528)	(10,518)
	<b>\$ 13,478</b>	<b>\$ 11,140</b>

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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## 6. Mortgage Loans

At December 31, 2004, mortgage notes payable aggregated \$153,361 and were collateralized by 15 properties and related tenant leases. Interest rates ranged from 3.8% to 7.6%. Taking into consideration \$86,156 of notional principal under variable to fixed-rate swap agreements currently in effect, \$146,407 of the portfolio, or 95%, was fixed at a 6.1% weighted average interest rate and \$6,954, or 5% was floating at a 3.8% weighted average interest rate. Mortgage payments are due in monthly installments of principal and/or interest and mature on various dates through 2014. Certain loans are cross-collateralized and cross-defaulted. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios.

In connection with the disposition of the East End Centre during November of 2004, the Company extinguished \$23,734 of mortgage debt which was scheduled to mature in 2010 and which was cross-collateralized by the East End Centre and Crescent Plaza.

On December 1, 2004, the Company paid down \$800 of an outstanding balance on a line of credit. At the same time, the Company fully repaid the outstanding balances on two other lines of credit totaling \$13,029.

During December of 2004, the Company retired \$33,401 of mortgage debts with two banks.

On August 13, 2004, the Company refinanced an existing \$7,936 floating rate mortgage loan with a \$15,000 fixed rate mortgage loan maturing in 2014. The terms of the new mortgage loan, bearing interest at 5.6%, provide for interest-only payments for two years, and principal and interest thereafter based on a 30-year amortization with a balloon payment due at maturity of \$13,064. In connection with the refinancing, the Company was required to prepay \$1,587 of debt collateralized by two other properties, and pay a prepayment penalty of \$95.

On June 30, 2004, the Company closed on a \$45,900 cross collateralized revolving facility, which is collateralized by five of the Company's properties. The existing combined outstanding debt of \$23,000 was modified to allow the Company to borrow an additional \$22,900. The facility matures in 2012 and bears interest at LIBOR plus 140 basis points.

On June 30, 2004, the Company closed on a \$12,100 revolving facility secured by one of its properties. The existing outstanding debt of \$8,900 was modified to allow the Company to borrow an additional \$3,200. The facility matures in 2012 and bears interest at LIBOR plus 140 basis points.

On March 26, 2004, the Company paid down \$10,363 and modified and extended \$40,000 of an existing \$50,363 loan with a bank. The loan, secured by two of the Company's properties, now matures April 1, 2011 and requires the monthly payment of interest at LIBOR plus 150 basis points and principal amortized over 30 years.

The following table summarizes the Company's mortgage indebtedness (exclusive of mortgage debt of discontinued operations) as of December 31, 2004 and 2003:

	December 31, 2004	December 31, 2003	Interest Rate at December 31, 2004	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable – variable rate						
Washington Mutual Bank, FA	29,900	50,686	3.82% (LIBOR + 1.50%)	04/01/11	(1)	(11)
Fleet National Bank	44,485	8,992	3.79% (LIBOR + 1.40%)	06/29/12	(2)	(12)
Fleet National Bank	10,252	6,256	3.82% (LIBOR + 1.40%)	06/29/12	(3)	(11)
Fleet National Bank	8,473	8,598	3.79% (LIBOR + 1.40%)	12/01/08	(4)	(11)
Washington Mutual Bank, FA	—	—	— (LIBOR + 1.50%)	11/22/07	(5)	(15)
Fleet National Bank	—	—	— (LIBOR + 1.50%)	03/01/08	(6)	(16)
Sun America Life Insurance						
Company	—	9,191	—	n/a	n/a	n/a
Fleet National Bank	—	12,009	—	n/a	n/a	n/a
Washington Mutual Bank, FA	—	20,083	—	n/a	n/a	n/a
Fleet National Bank	—	4,865	—	n/a	n/a	n/a
Fleet National Bank - Interest Rate Swaps						
	(86,156)	(86,669)	(Note 16)			
<b>Total variable-rate debt</b>	<b>6,954</b>	<b>34,011</b>				
Mortgage notes payable – fixed rate						
Bank of America, N.A.	16,062	16,226	7.55%	01/01/11	(7)	(11)
RBS Greenwich Capital	15,000	—	5.64%	09/06/14	(8)	(14)
RBS Greenwich Capital	16,000	16,000	5.19%	06/01/13	(9)	(13)
SunAmerica Life Insurance						
Company	13,189	13,425	6.46%	07/01/07	(10)	(11)
Metropolitan Life Insurance						
Company	—	8,516	8.13%	n/a	n/a	n/a
Fleet National Bank - Interest Rate Swaps						
	86,156	86,669	5.95% (Note 16)			
<b>Total fixed-rate debt</b>	<b>146,407</b>	<b>140,836</b>				

\$	153,361	\$	174,847
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**ACADIA REALTY TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except per share amounts)

**6. Mortgage Loans, continued**

Notes:

- (1) Bradford Towne Centre  
Ledgewood Mall
- (2) Branch Shopping Center  
Abington Towne Center  
Methuen Shopping Center  
Town Line Plaza  
Gateway Shopping Center; there is additional capacity of \$970 on this facility
- (3) Smithtown Shopping Center
- (4) Soundview Marketplace; there is additional capacity of \$5,000 on this facility
- (5) Elmwood Park Shopping Center; no amounts are out-standing under this \$20,000 revolving facility
- (6) Marketplace of Absecon; no amounts are outstanding under this \$7,400 revolving facility
- (7) GHT Apartments/Colony Apartments
- (8) New Loudon Center
- (9) 239 Greenwich Avenue
- (10) Merrillville Plaza
- (11) Monthly principal and interest
- (12) Annual principal and monthly interest
- (13) Interest only until 5/05; monthly principal and interest thereafter
- (14) Interest only until 9/06; monthly principal and interest thereafter
- (15) Interest only monthly
- (16) Interest only monthly until fully drawn; monthly principal and interest thereafter

The scheduled principal repayments of all mortgage indebtedness as of December 31, 2004 are as follows:

2005	\$	1,605
2006		2,188
2007		16,362
2008		12,434
2009		5,156
Thereafter		115,616
	\$	153,361

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

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

During November 2004, the Company issued 1,890,000 Common Shares (the "Offering"). The \$28,312 in proceeds from the Offering, net of related costs, was used to retire above-market, fixed-rate indebtedness as well as to invest in real estate assets. Yale and Kenneth F. Bernstein, the Company's Chief Executive Officer, also sold 1,000,000, and 110,000 Common Shares, respectively, in connection with this transaction. Mr. Bernstein sold 110,000 Common Shares in connection with his exercise of options to purchase 150,000 Common Shares. In connection with the Offering, the Company and all insiders, including Yale, agreed to a 90-day lockup period. After the Offering, Yale owns approximately 3,600,000 Common Shares, or approximately 12% of all outstanding Common Shares of the Company.

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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## 7. Shareholders' Equity and Minority Interests, continued

In May 2004, the Board of Trustees approved a resolution permitting one of its institutional shareholders, which currently owns approximately 2% of the Company's outstanding Common Shares, to acquire additional shares through open market purchases. This waiver of the Company's share ownership limitation will permit this shareholder to acquire up to an additional 3% of the Company's shares through December 31, 2004, or an aggregate of up to 5% of the Company's Common Shares.

During 2003, the Board of Trustees approved a resolution permitting one of its institutional shareholders, which currently owns 6% of the Company's outstanding Common Shares, to acquire additional shares through open market purchases. This waiver of the Company's Common Shares ownership limitation, which was approved in response to a request from this institutional investor, permitted this shareholder to acquire up to an additional 3.7% of the Company's Common Shares through March 31, 2004, or an aggregate of up to 9.7% of the Company's Common Shares.

Through December 31, 2004, the Company had repurchased 2,051,605 Common Shares at a total cost of \$11,650 (of which 1,425,643 of these Common Shares have been subsequently reissued) under the expanded share repurchase program that allows for the repurchase of up to \$20,000 of the Company's outstanding Common Shares. The repurchased shares are reflected as a reduction of par value and additional paid-in capital.

### *Minority Interests*

Minority interest in Operating Partnership represents the limited partners' interest of 392,255 and 1,139,017 units in the Operating Partnership ("Common OP Units") at December 31, 2004 and 2003, respectively. During 2004 and 2003, various limited partners converted a total of 746,762 and 2,058,804 Common OP Units into Common Shares on a one-for-one basis, respectively. Mr. Dworman, a trustee of the Company, received 34,841 of Common OP Units through various affiliated entities during 2003 (Note 8).

Minority interest in Operating Partnership also includes 1,580 units of preferred limited partnership interests designated as Series A Preferred Units at December 31, 2004 and 2003 and 4,000 preferred limited partnership interests designated as Series B Preferred Units at December 31, 2004.

The Series A Preferred OP Units were issued on November 16, 1999 in connection with the acquisition of all the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. Certain Series A Preferred OP Unit holders converted 632 Series A Preferred OP Units into 84,267 Common OP Units and then into Common Shares during 2003. The Series A Preferred OP Units, which have a stated value of \$1,000 each, are entitled to a quarterly preferred distribution of the greater of (i) \$22.50 (9% annually) per Series A Preferred OP Unit or (ii) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit. The Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by \$7.50. After the seventh anniversary following their issuance, either the Company or the holders can call for the conversion of the Series A Preferred OP Units at the lesser of \$7.50 or the market price of the Common Shares as of the conversion date.

The Series B Preferred OP Units were issued to Klaff Realty LP ("Klaff") in January 2004 in consideration for the acquisition of certain management contract rights. The Series B Preferred OP Units, with a stated value of a \$1,000 each, are entitled to a preferred quarterly distribution of the greater of (i) \$13.00 (5.2% annually) per unit or (ii) the quarterly distribution attributable to a Series B Preferred OP Unit if such unit were converted into a Common OP Unit. The Series B Preferred OP Units are convertible into Common OP Units based on the stated value of \$1,000 divided by \$12.82 at any time. The Company's Board of Trustees approved a waiver on February 24, 2004, which allows Klaff to redeem 1,500 Series B Preferred OP Units at any time for cash. As of December 31, 2004, none of these units have been redeemed.

Minority interests in majority-owned partnerships represent third party interests in four properties in which the Company has a majority ownership position.

## 8. Related Party Transactions

The Company managed one property in which a shareholder of the Company had an ownership interest, for which the Company earned a management fee of 3% of tenant collections. Management fees earned by the Company under this contract aggregated \$142, \$212 and \$229 for the years ended 2004, 2003 and 2002, respectively. In addition, the Company also earned leasing commissions of \$157 related to this property for the year ended December 31, 2004. In connection with the sale of the property on July 12, 2004, the management contract was terminated and the Company earned a \$75 disposition fee.

The Company also earns certain management and service fees in connection with its investment in Fund I and Fund II (Note 4). Such fees earned by the Company (after adjusting for intercompany fees) aggregated \$3,504, \$1,689 and \$1,082 for the years ended December 31, 2004, 2003 and 2002, respectively.

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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### 8. Related Party Transactions, continued

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, a preferred OP unit holder, has an interest, which was acquired during 2004. Net fees earned by the Company (after payment of submanagement fees of \$1,591) in connection with this portfolio were \$885 for the year ended December 31, 2004.

On March 19, 2004, Mr. Dworman and certain entities controlled by Mr. Dworman converted 1,000,000 share options and 548,614 OP Units held by them in connection with Mr. Dworman's resignation from the Company's Board of Trustees and in connection with a secondary public offering. Included in the Common OP Units converted to Common Shares during 2003 were 2,300 Common OP Units converted by Mr. Dworman who then transferred them to a charitable foundation in accordance with a pre-existing arrangement.

As of December 31, 2002, the Company was obligated to issue Common OP Units and cash valued at \$2,750 to certain limited partners in connection with the RDC Transaction. The payment was due upon the commencement of rental payments from a designated tenant at one of the properties acquired in the RDC Transaction. In February 2003, Mr. Dworman received 34,841 of these Common OP Units through various affiliated entities.

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

### 9. Tenant Leases

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

Minimum future rentals to be received under non-cancelable leases for shopping centers and other retail properties as of December 31, 2004 are summarized as follows:

2005	\$ 42,868
2006	41,189
2007	37,871
2008	32,982
2009	28,875
Thereafter	171,903
	<hr/>
	\$ 355,688
	<hr/>

Minimum future rentals above include a total of \$4,805 for two tenants (with three leases), which have filed for bankruptcy protection. None of these leases have been rejected nor affirmed. During the years ended December 31, 2004, 2003 and 2002, no single tenant collectively accounted for more than 10% of the Company's total revenues.

### 10. Lease Obligations

The Company leases land at four of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. Ground rent expense was \$791, \$780 and \$791 for the years ended December 31, 2004, 2003 and 2002, respectively. The leases terminate during the years 2020 to 2066. One of these leases provides the Company with options to renew for additional terms aggregating from 20 to 44 years. The Company leases space for its White Plains corporate office for a term expiring in 2010. Office rent expense was \$239, \$242 and \$109 for the years ended December 31, 2004, 2003 and 2002, respectively. Future minimum rental payments required for leases having remaining non-cancelable lease terms are as follows:

2005	\$ 1,042
2006	1,051
2007	1,068
2008	1,129
2009	1,149
Thereafter	17,088
	<hr/>
	\$ 22,527
	<hr/>

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

## 11. Share Incentive Plan

During 1999, the Company adopted the 1999 Share Incentive Plan (the "1999 Plan"), which replaced both the 1994 Share Option Plan and the 1994 Non-Employee Trustees' Share Option Plan. The 1999 Plan authorizes the issuance of options equal to up to 8% of the total Common Shares outstanding from time to time on a fully diluted basis. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 Plan. Options are granted by the Share Option Plan Committee (the "Committee"), which currently consists of two non-employee Trustees, and will not have an exercise price less than 100% of the fair market value of the Common Shares and a term of greater than ten years at the grant date. Vesting of options is at the discretion of the Committee with the exception of options granted to non-employee Trustees, which vest in five equal annual installments beginning on the date of grant. Pursuant to the 1999 Plan, non-employee Trustees receive an automatic grant of 1,000 options following each Annual Meeting of Shareholders.

The 1999 Plan also provides for the granting of share appreciation rights, restricted shares and performance units/shares. Share appreciation rights provide for the participant to receive, upon exercise, cash and/or Common Shares, at the discretion of the committee, equal to the excess of the market value of the Common Shares at the exercise date over the market value of the Common Shares at the Grant Date. The Committee will determine the award and restrictions placed on restricted shares, including the dividends thereon and the term of such restrictions. The Committee also determines the award and vesting of performance units and performance shares based on the attainment of specified performance objectives of the Company within a specified performance period. Through December 31, 2004, no share appreciation rights or performance units/shares have been awarded.

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

As of December 31, 2004, the Company has 464,650 options outstanding to officers and employees. These fully vested options are for ten-year terms from the grant date and, except for 10,000 options which vested fully as of the grant date, vested in three equal annual installments which began on the grant date. In addition, 26,000 options have been issued to non-employee Trustees of which 8,200 options were vested as of December 31, 2004.

During 2004, the Committee granted a total of 126,853 restricted shares (net of subsequent forfeitures) pursuant to the 2003 Plan to certain employees of the Company (the "Recipients"). 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 these restricted shares, which is subject to the Recipients' continued employment with the Company through the applicable vesting dates, is as follows:

- i. 85,157 restricted shares vest 20% on each of the next five anniversaries of the grant date, January 2, 2004 ("Grant Date"),
- ii. 20,848 restricted shares vest 20% on each of the next five anniversaries of the Grant Date, provided that in addition to the Recipients' continued employment through the vesting date, the Company's total shareholder return, as determined by the Committee in its discretion, is 8% or more either for such fiscal year or, on average, for such fiscal year and each other fiscal year occurring after January 2, 2004 – in which case vesting shall occur for any restricted shares that did not vest in a prior fiscal year based on this 8% condition.
- iii. 20,848 restricted shares vest 20% on each of the next five anniversaries of the Grant Date, provided that in addition to the Recipients' continued employment through the vesting date, the Company's total shareholder return, as determined by the Committee in its discretion, is 11% or more either for such fiscal year or, on average, for such fiscal year and each other fiscal year occurring after January 2, 2004 – in which case vesting shall occur for any restricted shares that did not vest in a prior fiscal year based on this 11% condition.

The total value of the above restricted share awards on the date of grant was \$1,586 which will be recognized in expense over the vesting period.

For the year ended December 31, 2003, 107,834 restricted shares were issued pursuant to the 2003 Plan. The total value of the restricted share awards on the date of grant was \$752 which will be recognized in expense over the vesting period. No restricted shares were issued for the year ended December 31, 2002. No awards of share appreciation rights or performance units/shares were granted for the years ended December 31, 2004, 2003 and 2002.

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

For the years ended December 31, 2004, 2003 and 2002, \$764, \$410 and \$121, respectively, was recognized in compensation expense related to restricted share grants. Unearned compensation of \$1,400 as of December 31, 2004 will be recognized in expense as such shares vest.

Effective January 1, 2002, the Company adopted the fair value method of recording stock-based compensation contained in SFAS No. 123, "Accounting for Stock-Based Compensation". As such, stock based compensation awards are expensed over the vesting period based on the fair value at the date the stock-based compensation was granted.

The Company has used the Black-Scholes option-pricing model for purposes of estimating the fair value in determining compensation expense for options granted for the years ended December 31, 2004, 2003 and 2002. The Company has also used this model for the pro forma information regarding net income and earnings per share as required by SFAS No. 123 for options issued for the year ended December 31, 2001 as if the Company had also accounted for these employee stock options under the fair value method. The fair value for the options issued by the Company was estimated at the date of the grant using the following weighted-average assumptions resulting in:

	Years ended December 31,		
	2004	2003	2002
Risk-free interest rate	4.0%	4.4%	3.3%
Dividend yield	4.2%	5.8%	7.0%
Expected life	7.5 years	10.0 years	7.0 years
Expected volatility	18.0%	18.0%	19.1%
Fair value at date of grant (per option)	\$ 2.17	\$ 0.82	\$ 0.44

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

	Years ended December 31,		
	2004	2003	2002
Outstanding at beginning of year	2,095,150	2,472,400	2,593,400
Granted	19,000	8,000	5,000
Option price per share granted	\$ 12.55-14.13	\$ 9.11-11.66	\$ 7.10
Cancelled	—	—	—
Exercisable at end of year	446,850	2,082,750	2,313,436
Settled (1)	39,500	385,000	126,000
Exercised	1,610,000	250	—
Expired	—	—	—
Outstanding at end of year	464,650	2,095,150	2,472,400
Option prices per share outstanding	\$ 5.75-\$14.13	\$ 4.89-\$11.66	\$ 4.89-\$7.50

(1) Pursuant to the 1999 Plan these options were settled and did not result in the issuance of any additional Common Shares.

As of December 31, 2004 the outstanding options had a weighted average exercise price of \$6.61 and a weighted average remaining contractual life of approximately 5.4 years.



**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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## 12. Employee Stock Purchase and Deferred Share Plan

In 2003, the Company adopted the Acadia Realty Trust Employee Stock Purchase Plan (the "Purchase Plan"), which allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company's Common Shares on either the first day or the last day of the quarter, whichever is lower. The amount of the payroll deductions will not exceed a percentage of the participant's annual compensation that the Committee establishes from time to time, and a participant may not purchase more than 1,000 Common Shares per quarter. Compensation expense will be recognized by the Company to the extent of the above discount to the average closing price of the Common Shares with respect to the applicable quarter. During 2004 and 2003, 6,397 and 810 Common Shares, respectively, were purchased by Employees under the Purchase Plan and the associated compensation expense was \$15 and \$1, respectively.

In August of 2004, the Company adopted a Deferral and Distribution Election ("Deferred Share Election") pursuant to the 1999 Share Incentive Plan and 2003 Share Incentive Plan, whereby the participants elected to defer receipt of 190,487 Common Shares ("Share Units") that would otherwise be issued upon the exercise of certain options. The payment of the option exercise price was made by tendering Common Shares that the participants owned for at least six months prior to the option exercise date. The Share Units are equivalent to a Common Share on a one-for-one basis and carry a dividend equivalent right equal to the dividend rate for the Company's Common shares. The deferral period is determined by each of the participants and generally terminates after the cessation of the participants continuous service with the Company, as defined in the agreement. In December 2004, optionees exercised 346,000 options pursuant to the Deferred Share Election and tendered 155,513 Common Shares in consideration of the option exercise price. The Company issued 155,513 Common Shares to optionees and 190,487 Share Units.

## 13. Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company currently matches 50% of a plan participant's contribution up to 6% of the employee's annual salary. A plan participant may contribute up to a maximum of 15% of their compensation but not in excess of \$13 for the year ended December 31, 2004. The Company contributed \$109, \$110, and \$115 for the years ended December 31, 2004, 2003 and 2002, respectively.

## 14. Dividends and Distributions Payable

On December 7, 2004, the Company declared a cash dividend for the quarter ended December 31, 2004 of \$0.1725 per Common Share. The dividend was paid on January 14, 2005 to shareholders of record as of December 31, 2004.

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

	For the years ended December 31,		
	2004	2003	2002
Ordinary income	59%	100%	44%
Long-term capital gain	0%	0%	56%
Section 1250 gain	32%	0%	0%
Return of capital	9%	0%	0%
	100%	100%	100%

## 15. Income Taxes

The Company believes it qualifies as a REIT and therefore is not liable for income taxes at the federal level or in most states for the current year as well as for future years. Accordingly, for the years ended December 31, 2004, 2003 and 2002, no provision was recorded for federal or state income taxes.

The following unaudited table reconciles the Company's book net income to REIT taxable income before dividends paid deduction:

	For the years ended December 31,		
	2004 Estimate	2003 Actual	2002 Actual
Book net income	\$ 19,585	\$ 7,853	\$ 19,399
Book/tax difference in depreciation and amortization	3,438	3,828	(6,802)
Book/tax difference on gains/losses from capital transactions	(1,354)	—	904
Book/tax difference on exercise of options to purchase common shares	(8,970)	—	—
Other book/tax differences, net	1,953	(326)	1,380
REIT taxable income before dividends paid deduction	\$ 14,652	\$ 11,355	\$ 14,881

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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## 16. Financial Instruments

### *Fair Value of Financial Instruments*

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

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

Derivative Instruments – The fair value of these instruments is based upon the estimated amounts the Company would receive or pay to terminate the contracts as of December 31, 2004 and 2003 and is determined using interest rate market pricing models.

Mortgage Notes Payable – As of December 31, 2004 and 2003, the Company has determined the estimated fair value of its mortgage notes payable are approximately \$153,612 and \$193,619, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated under conditions then existing.

### *Derivative Financial Instruments*

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

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

As of December 31, 2004 and 2003, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

During November 2004, the Company terminated interest rate swaps with a total notional amount of \$16,974 in connection with its investment in the Crossroads joint venture, which completed a refinancing of an existing variable-rate mortgage with a new fixed-rate mortgage. The fair value of these interest rate swaps was \$1,307 which was paid by the Company to the counter-party at the termination date. This amount has been deferred in accumulated other comprehensive income and will be reclassified as additional interest expense as the hedged forecasted interest payments occur. Of this amount, \$62 was reclassified from accumulated other comprehensive income as additional interest expense during 2004.

In June of 2002, the Company completed two interest rate swap transactions to hedge the Company's exposure to changes in interest rates with respect to \$25,047 of LIBOR based variable rate debt. These agreements, which are for \$15,885 and \$9,162 of notional principal, mature on January 1, 2007 and June 1, 2007, respectively and are at a weighted average fixed interest rate of 6.2%.

On July 10, 2002, the Company entered into an interest rate swap agreement to hedge its exposure to changes in interest rates with respect to \$12,288 of LIBOR based variable-rate debt. The swap agreement, which matures on January 1, 2007, provides for a fixed all-in interest rate of 4.1%.

In January and February 2004, the Company entered into four forward starting variable to fixed interest rate swap agreements as described in the table below.

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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**16. Financial Instruments, continued**

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of December 31, 2004. The notional value does not represent exposure to credit, interest rate or market risks:

Hedge Type	Notional Value	Rate	Forward Start Date	Interest maturity	Fair Value
LIBOR Swap	\$ 30,000	4.80%	n/a	4/1/05	\$ (171)
LIBOR Swap	20,000	4.53%	n/a	10/1/06	(436)
LIBOR Swap	8,866	4.47%	n/a	6/1/07	(213)
LIBOR Swap	15,387	4.32%	n/a	1/1/07	(289)
LIBOR Swap	11,903	4.11%	n/a	1/1/07	(176)
	\$ 86,156				
LIBOR Swap (1)	\$ 37,667	4.35%	4/1/05	1/1/11	(449)
LIBOR Swap (1)	11,410	4.90%	10/2/06	10/1/11	(187)
LIBOR Swap (1)	4,640	4.71%	10/2/06	1/1/10	(57)
LIBOR Swap (1)	8,434	5.14%	6/1/07	3/1/12	(158)
	\$ 62,151				
Interest rate swap payable					\$ (2,136)

Notes:

(1) Forward starting interest swap agreements

As of December 31, 2004 and 2003, the derivative instruments were reported at fair value as derivative instrument liabilities of \$2,136 and \$5,860 (of which \$1,816 was reflected as a reduction of investments in and advances to unconsolidated partnerships for 2003), respectively. As of December 31, 2004 and 2003, unrealized losses totaling \$3,219 and \$5,734 represented the fair value of the aforementioned derivatives, of which \$3,180 and \$5,505 was reflected in accumulated other comprehensive loss, and \$39 and \$229 as a reduction of minority interest in Operating Partnership. For the years ended December 31, 2004 and 2003, the Company recorded in interest expense an unrealized (loss) gain of (\$37) and \$51, respectively, due to partial ineffectiveness on one of the swaps which was terminated in November 2004. The ineffectiveness resulted from differences between the derivative notional and the principal amount of the hedged variable rate debt.

The Company's interest rate hedges are designated as cash flow hedges and hedge the future cash outflows on mortgage debt. Interest rate swaps that convert variable payments to fixed payments, such as those held by the Company, as well as interest rate caps, floors, collars, and forwards are cash flow hedges. The unrealized gains and losses in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to either accumulated other comprehensive income or earnings depending on the type of hedging relationship. For cash flow hedges, offsetting gains and losses are reported in accumulated other comprehensive income. Over time, the unrealized gains and losses held in accumulated other comprehensive income will be reclassified to earnings. This reclassification occurs over the same time period in which the hedged items affect earnings. Within the next twelve months, the Company expects to reclassify to earnings as interest expense approximately \$1,300 of the current balance held in accumulated other comprehensive loss.

**17. Earnings Per Common Share**

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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**17. Earnings Per Common Share, continued**

	Years ended December 31,		
	2004	2003	2002
<b>Numerator:</b>			
Income from continuing operations – basic earnings per share	\$ 13,891	\$ 8,755	\$ 11,742
<b>Effect of dilutive securities:</b>			
Preferred OP Unit distributions	—	—	199
Numerator for diluted earnings per share	13,891	8,755	11,941
<b>Denominator:</b>			
Weighted average shares – basic earnings per share	29,341	26,640	25,321
<b>Effect of dilutive securities:</b>			
Employee stock options	571	592	190
Convertible Preferred OP Units	—	—	295
Dilutive potential Common Shares	571	592	485
Denominator for diluted earnings per share	29,912	27,232	25,806
Basic earnings per share from continuing operations	\$ 0.47	\$ 0.33	\$ 0.47
Diluted earnings per share from continuing operations	\$ 0.46	\$ 0.32	\$ 0.46

The weighted average shares used in the computation of basic earnings per share include unvested restricted shares (Note 11) and Share Units that are entitled to receive dividend equivalent payments (Note 12). The effect of the conversion of Common OP Units is not reflected in the above table as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

**18. Summary of Quarterly Financial Information (unaudited)**

The quarterly results of operations of the Company for the years ended December 31, 2004 and 2003 are as follows:

	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	Total for Year
Revenue	\$ 17,544	\$ 17,757	\$ 18,340	\$ 19,215	\$ 72,856
Income from continuing operations	\$ 3,209	\$ 4,004	\$ 3,223	\$ 3,455	\$ 13,891
Income (loss) from discontinued operations	\$ (359)	\$ (240)	\$ (328)	\$ 6,621	\$ 5,694
Net income	\$ 2,850	\$ 3,764	\$ 2,895	\$ 10,076	\$ 19,585
<b>Net income per Common Share – basic:</b>					
Income from continuing operations	\$ 0.11	\$ 0.14	\$ 0.11	\$ 0.11	\$ 0.47
Income (loss) from discontinued operations	(0.01)	(0.01)	(0.01)	0.22	0.20
Net income	\$ 0.10	\$ 0.13	\$ 0.10	\$ 0.33	\$ 0.67
<b>Net income per Common Share – diluted:</b>					
Income from continuing operations	\$ 0.11	\$ 0.14	\$ 0.11	\$ 0.11	\$ 0.46
Income from discontinued operations	(0.01)	(0.01)	(0.01)	0.21	0.19
Net income	\$ 0.10	\$ 0.13	\$ 0.10	\$ 0.32	\$ 0.65
Cash dividends declared per Common Share	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.1725	\$ 0.6525
<b>Weighted average Common Shares outstanding:</b>					
Basic	27,890,065	29,333,184	29,459,175	30,665,688	29,340,992
Diluted	28,560,779	29,793,310	29,953,528	31,645,852	29,912,405

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**18. Summary of Quarterly Financial Information (unaudited), continued**

	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	Total for Year
Revenue	\$ 17,685	\$ 16,076	\$ 16,374	\$ 17,712	\$ 67,847
Income (loss) from continuing operations	\$ 3,702	\$ 2,648	\$ 2,667	\$ (262)	\$ 8,755
Loss from discontinued operations	\$ (239)	\$ (205)	\$ (243)	\$ (215)	\$ (902)
Net income	\$ 3,463	\$ 2,443	\$ 2,424	\$ (477)	\$ 7,853
Net income per Common Share – basic					
Income from continuing operations	\$ 0.15	\$ 0.10	\$ 0.10	\$ (0.01)	\$ 0.33
Loss from discontinued operations	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Net income	\$ 0.14	\$ 0.09	\$ 0.09	\$ (0.02)	\$ 0.30
Net income per Common Share – diluted					
Income from continuing operations	\$ 0.15	\$ 0.10	\$ 0.10	\$ (0.01)	\$ 0.32
Loss from discontinued operations	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Net income	\$ 0.14	\$ 0.09	\$ 0.09	\$ (0.02)	\$ 0.29
Cash dividends declared per Common Share					
	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.61
Weighted average Common Shares outstanding:					
Basic	25,377,095	26,387,010	27,333,040	27,431,982	26,639,832
Diluted	25,639,027	26,880,780	28,062,699	28,305,567	27,232,316

**19. Commitments and Contingencies**

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

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

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

For the year ended December 31, 2004, the Company accrued estimated costs of \$730 related to flood damage incurred at the Mark Plaza located Wilkes-Barre, PA. Under the terms of the Company's insurance policy, a maximum deductible of approximately \$730 would apply in the event the flood damage was the direct result of a "named" storm. The insurance company currently contends that the flood damage resulted directly from Hurricane Ivan, a "named" storm.

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

**ACADIA REALTY TRUST AND SUBSIDIARIES**  
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**20. Subsequent Events**

On March 8, 2005, the Company invested \$20,000 in a 10% preferred equity position in a Klaff controlled entity which leases real estate to Levitz Furniture.

**ACADIA REALTY TRUST**  
**SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**December 31, 2004**

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction(c)
<b>Shopping Centers</b>									
Crescent Plaza Brockton, MA	— \$	\$ 1,147	\$ 7,425	\$ 550	\$ 1,147	\$ 7,975	\$ 9,122	\$ 4,110	1984(a)
New Loudon Centre Latham, NY	15,000	505	4,161	10,839	505	15,000	15,505	7,450	1982(a)
Ledgewood Mall Ledgewood, NJ	(1)	619	5,434	32,973	619	38,407	39,026	24,053	1983(a)
Mark Plaza Edwardsville, PA	—	—	4,268	4,706	—	8,974	8,974	5,363	1968(c)
Luzerne Street Plaza Scranton, PA	—	35	315	1,244	35	1,559	1,594	1,080	1983(a)
Blackman Plaza Wilkes-Barre, PA	—	120	—	1,599	120	1,599	1,719	537	1968(c)
Greenridge Plaza Scranton, PA	—	1,335	6,314	2,289	1,335	8,603	9,938	4,296	1986(c)
Plaza 422 Lebanon, PA	—	190	3,004	719	190	3,723	3,913	2,602	1972(c)
Route 6 Mall Honesdale, PA	—	—	—	12,696	1,664	11,032	12,696	3,901	1995(c)
Pittston Mall Pittston, PA	—	1,500	—	5,956	1,521	5,935	7,456	1,940	1995(c)
Berlin Shopping Centre Berlin, NJ	—	1,331	5,351	219	1,331	5,570	6,901	2,074	1994(a)
Bradford Towne Centre Towanda, PA	(1)	—	—	16,100	817	15,283	16,100	5,642	1994(c)
Abington Towne Center Abington, PA	(2)	799	3,197	1,993	799	5,190	5,989	943	1998(a)
Bloomfield Town Square Bloomfield Hills, MI	—	3,443	13,774	4,361	3,443	18,135	21,578	2,842	1998(a)
Walnut Hill Plaza Woonsocket, RI	—	3,122	12,488	839	3,122	13,327	16,449	2,559	1998(a)
Elmwood Park Plaza Elmwood Park, NJ	(3)	3,248	12,992	14,762	3,800	27,202	31,002	3,986	1998(a)
Merrillville Plaza Hobart, IN	13,189	4,288	17,152	1,023	4,288	18,175	22,463	3,225	1998(a)
Soundview Marketplace Port Washington, NY	8,473	2,428	9,711	2,432	2,428	12,143	14,571	2,839	1998(a)
Marketplace of Absecon Absecon, NJ	(3)	2,573	10,294	2,467	2,573	12,761	15,334	2,139	1998(a)

**ACADIA REALTY TRUST**  
**SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**December 31, 2004**

Description	Encumbrances	Land	Buildings & Improvements	Costs capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction(c)
Hobson West Plaza Naperville, IL	—	1,793	7,172	686	1,793	7,858	9,651	1,460	1998(a)
Smithtown Shopping Center Smithtown, NY	10,252	3,229	12,917	1,027	3,229	13,944	17,173	2,769	1998(a)
Town Line Plaza Rocky Hill, CT	(2)	878	3,510	7,048	909	10,528	11,437	6,006	1998(a)
Branch Shopping Center Village of the Branch, NY	(2)	3,156	12,545	566	3,156	13,111	16,267	2,148	1998(a)
The Methuen Shopping Center Methuen, MA	(2)	956	3,826	—	956	3,826	4,782	610	1998(a)
Gateway Shopping Center Burlington, VT	(2)	1,273	5,091	11,400	1,273	16,491	17,764	1,234	1999(a)
Mad River Station Dayton, OH	—	2,350	9,404	278	2,350	9,682	12,032	1,490	1999(a)
Pacesetter Park Shopping Center Ramapo, NY	—	1,475	5,899	730	1,475	6,629	8,104	973	1999(a)
239 Greenwich Greenwich, CT	16,000	1,817	15,846	213	1,817	16,059	17,876	2,207	1999(c)
<b>Residential Properties</b>									
Gate House, Holiday House, Tiger Village Columbia, MO	10,708	2,312	9,247	2,493	2,312	11,740	14,052	2,498	1998(a)
Village Apartments Winston Salem, NC	—	3,429	13,716	2,453	3,429	16,169	19,598	3,171	1998(a)
Colony Apartments Columbia, MO	5,354	1,118	4,470	1,377	1,118	5,847	6,965	1,205	1998(a)
Undeveloped land				250	250		250		
Properties under development	—	—	—	5,896	—	5,896	5,896	—	
	<u>\$ 153,361</u>	<u>\$ 50,469</u>	<u>\$ 219,523</u>	<u>\$ 152,184</u>	<u>\$ 53,804</u>	<u>\$ 368,373</u>	<u>\$ 422,177</u>	<u>\$ 107,352</u>	



**Acadia Realty Trust**  
**Notes to Schedule III**  
**December 31, 2004**

1. These properties serve as collateral for the financing with Washington Mutual Bank, FA in the amount of \$29,900 (note 6)
2. These properties serve as collateral for the financing with Bank of America, NA in the amount of \$44,485 (note 6)
3. These properties are collateral for credit facilities with total capacity of \$27,400 of which no amounts were drawn as of December 31, 2004
4. Depreciation on investments in buildings and improvements reflected in the statements of income is calculated over the estimated useful life of the assets as follows:

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

5. The aggregate gross cost of property included above for Federal income tax purposes was \$376,456 as of December 31, 2004.
6. (a) Reconciliation of Real Estate Properties:

The following table reconciles the real estate properties from January 1, 2002 to December 31, 2004:

	For the year ended December 31,		
	2004	2003	2002
Balance at beginning of year	\$ 414,138	\$ 400,539	\$ 385,110
Other improvements	7,194	13,599	15,761
Reclassification of tenant improvement activities	845	—	—
Fully depreciated assets written off	—	—	(332)
Balance at end of year	\$ 422,177	\$ 414,138	\$ 400,539

- (b) Reconciliation of Accumulated Depreciation:

The following table reconciles accumulated depreciation from January 1, 2002 to December 31, 2004:

	For the year ended December 31,		
	2004	2003	2002
Balance at beginning of year	\$ 93,670	\$ 78,168	\$ 66,441
Reclassification of tenant improvement activities	660	—	—
Fully depreciated assets written off	—	—	(332)
Depreciation related to real estate	13,022	15,502	12,059
Balance at end of year	\$ 107,352	\$ 93,670	\$ 78,168

ACADIA REALTY TRUST

Amendment No. 1 to By-laws

Effective March 15, 2005

AMENDMENT to the By-laws (the "By-Laws") of Acadia Realty Trust (the "Company") adopted by the Board of Trustees on March 4, 1993.

WHEREAS, Article XIV of the By-Laws grant to the Trustees the exclusive power to adopt, alter or repeal any provision of the By-Laws; and

WHEREAS, the Trustees have determined that it is in the best interests of the Company to shorten the notice period required for special meetings of the Trustees and to otherwise update the methods by which notice may be given to Trustees.

NOW, THEREFORE, the By-Laws are hereby amended as follows:

1. Article III, Section 4 of the By-Laws is hereby amended and restated in its entirety as follows:

"Section 4. NOTICE. Notice of any special meeting of the Trustees shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each Trustee at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the Trustee or his or her agent is personally given such notice in a telephone call to which the Trustee or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Trust by the Trustee. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws."

2. This Amendment was adopted by the Trustees to be effective on March 15, 2005.

/s/ Robert Masters

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Robert Masters, Secretary

\*\*THIS DOCUMENT CONSTITUTES PART OF A  
PROSPECTUS COVERING SECURITIES THAT HAVE  
BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.\*\*

Prospectus Supplement

ACADIA REALTY TRUST  
1999 SHARE INCENTIVE PLAN  
2003 SHARE INCENTIVE PLAN

PROSPECTUS SUPPLEMENT REGARDING OPTIONS  
ISSUED UNDER THE  
ACADIA REALTY TRUST 1999 SHARE INCENTIVE PLAN AND 2003 SHARE INCENTIVE PLAN

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This document supplements the Prospectus dated July 2, 2003  
describing the Acadia Realty Trust 2003 Share Incentive Plan,  
under which 1,163,008 common shares,  
par value \$.001 per share, may be transferred from time to time.

This document also supplements the Prospectus dated June 16, 1999  
describing the Acadia Realty Trust 1999 Share Incentive Plan,  
under which 2,928,269 common shares,  
par value \$.001 per share, may be transferred from time to time.

This document is directed to and intended only  
for employees, consultants and trustees of Acadia Realty Trust  
who are participants in the  
Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan.

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THE DATE OF THIS PROSPECTUS SUPPLEMENT IS AUGUST 15, 2004

## SUPPLEMENTAL INFORMATION

This Prospectus Supplement and the attached Deferral and Distribution Election Form relate to certain Share options that select executive officers [and trustees] of the Company may elect to exercise through their surrender of previously-owned Shares. These elections will result in the deferred delivery of Shares pursuant to the Acadia Realty Trust 2003 Share Incentive Plan (the "Plan").

All the terms that begin with initial capital letters in this Prospectus Supplement have the same meaning defined in the Plan or the Agreement evidencing the grant of an Option (the "Award Agreement"), unless the context clearly requires otherwise.

### DESCRIPTION OF OPTION DEFERRAL PROGRAM

Pursuant to Section 7.2(a) of the Plan, the Committee has recently approved the terms set forth in the attached Deferral and Distribution Election Form (the "Election Form") as one acceptable method for transferring Shares to the Company to pay the exercise price for your Options. The terms of the Election Form are incorporated herein by reference.

The Election Form is designed to permit you to defer receipt of the Shares you would otherwise receive upon exercise of your Options in order to facilitate your deferral of current income taxation upon such exercise. The characteristics of the program that the Election Form contemplates are as follows:

1. To make a Share deferral, you must execute and deliver a completed Election Form to the Company not later than August 31st of 2004, and June 30th of any subsequent year.

2. An executed Election Form will apply to any Options that you exercise during the last 15 days of the calendar year in which your Election Form is effective, subject to the following conditions that you must fulfill before December 15 of the year to which your Election Form relates:

(a) you must pay the full exercise price payable with respect to your Option by transferring to the Company Shares that you have beneficially-owned for at least six months; and

(b) you must make suitable arrangements with the Company to pay any applicable employment taxes.

3. Your election to defer the receipt of Shares will be IRREVOCABLE but will become null and void if the Committee determines that any of the conditions set forth in Section 1 of the Election Form have occurred.

4. After you exercise the Option in accordance with the Election Form, the Company will establish an account ("Account") for you under the Plan, and will credit the Account with deferred share units ("Units"), on a one-to-one basis with the Shares that you would otherwise have received upon the exercise of the Option. Distributions in respect of the Account will be made in

the form of one Share for each Unit credited to your Account (subject to adjustments for Changes in Capitalization).

5. Dividend equivalents will be paid in cash, in amounts having a value equal to the amount of any cash dividends that you would have received if you had owned the Shares underlying your Units.

6. The Company will issue unrestricted Shares to you only in accordance with the terms set forth in your Election Form. You will not have any rights of a shareholder before that occurs with respect to the Units or the Shares underlying the Units.

7. You may designate one or more beneficiaries to receive distributions in the event of your death. You may change these designations at any time prior to your death, but they will become irrevocable upon your death.

8. The Company may in its discretion take any actions that it considers reasonably necessary or proper to assure that any changes in the U.S. federal tax laws will not accelerate income taxation on Shares that are the subject of an Election Form to a date before the participant receives the Shares. In the event that U.S. federal tax laws or other applicable laws prohibit the elections in the Election Form or would require immediate taxation, the Election Form will be null and void and will have no further effect.

#### NO GUARANTEE OF TAX CONSEQUENCES

While the Company is pleased to be able to make the deferral opportunity described in this Prospectus Supplement available to you, the Plan does not qualify for any program under which the Internal Revenue Service would issue an advance ruling or other determination on the federal tax consequences of the Plan. The deferral of gain on the exercise of an Option is a relatively recent innovation on which the Internal Revenue Service has not issued a ruling as of the date of this Prospectus Supplement. Accordingly, the Company does not guarantee the tax consequences of the Plan or the elections made in the Election Form and as part of the Election Form, you will agree to hold the Company harmless from any losses or liabilities you may incur if you do not receive the intended tax benefits of the deferral.

PLEASE NOTE THAT THE INCOME TAX DISCUSSION IN THIS PROSPECTUS SUPPLEMENT IS ONLY A SUMMARY AND IS NOT INTENDED TO BE EXHAUSTIVE OF ALL POSSIBLE TAX CONSIDERATIONS. IN THIS REGARD, THE COMPANY RECOMMENDS THAT YOU DISCUSS SPECIFIC QUESTIONS REGARDING THE APPLICATION OF TAX OR OTHER LAWS TO YOU WITH YOUR OWN TAX ADVISOR. IN ADDITION, VARIOUS STATE LAWS MAY IMPOSE TAX CONSEQUENCES THAT VARY SIGNIFICANTLY FROM THOSE DESCRIBED HEREIN. THE COMPANY HAS NOT AUTHORIZED OR TRAINED ANYONE AT THE COMPANY TO ADVISE YOU REGARDING THE SPECIFIC TAX CONSEQUENCES OF YOUR AWARDS.

#### WHOM TO CONTACT FOR ADDITIONAL INFORMATION

This document summarizes certain features of the Plan, but is not a complete description of the terms and conditions of the Plan. Any person who has been granted an Option under the Plan

may obtain a copy of the complete Plan, its Prospectus, or additional information concerning the Plan, by contacting Robert Masters at Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, telephone (914) 288-8100.

ACADIA REALTY TRUST  
1999 SHARE INCENTIVE PLAN  
2003 SHARE INCENTIVE PLAN

EXHIBIT

DEFERRAL AND DISTRIBUTION ELECTION FORM

Attached is an election form that you may use if you wish to defer receipt of the Shares that would otherwise be issued to you upon the exercise of Options awarded to you under the Plan, subject to the terms and conditions described on the form. You must execute and deliver a completed Deferral and Distribution Election Form as provided for in the form.

An election to defer receipt of your Options may not be revoked, but will become null and void under certain circumstances listed in Section 1 of the Deferral and Distribution Election Form.

You are advised to consult with your individual tax advisor with respect to the tax consequences related to your Options and any elections you may make to defer the receipt associated with exercise of your Options.

ACADIA REALTY TRUST

[1999] SHARE INCENTIVE PLAN  
[2003] SHARE INCENTIVE PLAN

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DEFERRAL AND DISTRIBUTION ELECTION FORM

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AGREEMENT ("Agreement"), made this day of , , by and between me, as a participant in the Acadia Realty Trust 1999 Share Incentive Plan and/or 2003 Share Incentive Plan (collectively, the "Plan"), and Acadia Realty Trust (the "Company"). We agree that any term that begins herein with initial capital letters shall have the special meaning defined in the Plan or the Award Agreement, unless the context clearly requires otherwise.

This Agreement and the elections that I make herein shall control the treatment of the Shares I would otherwise have received upon the exercise of any Share options that I exercise during the time frame identified in Section 2 below.

1. EFFECTIVENESS OF ELECTION. I recognize and agree that every election that I make in this Deferral and Distribution Election Form will become effective -- AND IRREVOCABLE -- on the date on which I deliver this Agreement to an executive officer of the Company, other than myself. Nevertheless, this Agreement will automatically become null, void, and of no effect in the event that either -

(i) my delivery of this election occurs after of (or June 30th of any subsequent year), or

(ii) the Committee determines that either of the following events has occurred on or before December 31st of the current year:

[ ] the trailing 20-day average price of the Company's outstanding Shares is below \$13.50 on the Exercise Date that I select in Section 2 below.

[ ] A change in federal tax laws either prohibits this election or would require that I recognize income before the distribution dates selected below.

2. DEFERRAL ELECTION. Subject to Section 1 above, I hereby elect to defer receipt of any Shares that would otherwise be issued to me upon my exercise of any Options during the last 15 days of the current year pursuant to my payment of the exercise price through the surrender of Shares that I have beneficially owned for at least six months prior to the Exercise Date.

3. NATURE OF DEFERRAL. I recognize and agree that, following the exercise of any stock options covered by my election in Section 2 above, the Company will establish an escrow account ("Account") for me under the Plan, and will credit the Account with share units ("Units")



on a one-to-one basis with the Shares that I would otherwise receive as taxable income upon the exercise of the Options.

I further recognize and agree that any Units that are credited to my Account will be non-transferable, non-assignable, and may not otherwise be disposed, pledged, or alienated in any way, will be subject to the claims of the Company's general creditors, and will represent merely an unsecured, unfunded promise of the Company to deliver Shares to me or my beneficiaries in accordance with Sections 5, 6, and 7 below.

4. DIVIDEND EQUIVALENT RIGHTS. For as long as I have an Account pursuant to this election, I understand that the Company will pay me an amount equal to any cash dividends that I would have received if I owned Shares instead of an unsecured promise in the nature of Units.

5. DISTRIBUTIONS OF MY ACCOUNT. I recognize and agree that distributions in respect of my Account will be made in the form of one unrestricted Share for each Unit credited to my Account, subject to adjustment of my Units for Changes in Capitalization, using the method set forth in the Plan for Award adjustments. I hereby elect to receive distributions from my Account in accordance with the following choices:

in a single lump sum distribution as soon as practicable following the date on which my employment or service with the Company terminates, including a termination due to my retirement from the Company (such date being the cessation of my "Continuous Service");

SELECT ONE

in five (5) substantially equal annual installments on each January 1st following the cessation of my Continuous Service; or

in ten (10) substantially equal annual installments on each January 1st following the cessation of my Continuous Service.

Notwithstanding the foregoing choices, in the event of a Change in Control, I elect to receive the full amount of my Account (or, if applicable, the remaining portion of my Account) in a lump sum, as soon as practicable following the Change in Control.

6. FORM OF DISTRIBUTION TO BENEFICIARY. In the event of my death before collecting all of my Account, any remaining portion of my Account shall be distributed to my beneficiary or beneficiaries named below in the following manner:

in a single lump sum to be distributed as soon as administratively practicable following my death; or

in accordance with the distribution schedule selected in Section 5 hereof (with distributions made as though I survived to collect all benefits, and as though I terminated service on the date of my death if distributions had not already begun).

7. DESIGNATION OF BENEFICIARY. In the event of my death before I have collected all of my Account, I hereby direct that my beneficiaries shall be as follows:

(a) Primary Beneficiary. I hereby designate the person(s) named below to be my primary beneficiary and to receive any undistributed portion of my Account:

Name of Primary Beneficiary	Social Security Number	Mailing Address	Percentage of Death Benefit
-----	-----	-----	-----

(b) Contingent Beneficiary. In the event that a primary beneficiary or beneficiaries named above are not living at the time of my death, I hereby designate the following person(s) to be my contingent beneficiary for purposes of the Plan with respect to any portion of my Account not previously distributed to a primary beneficiary pursuant to subsection (a) above:

Name of Contingent Beneficiary	Social Security Number	Mailing Address	Percentage of Death Benefit
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8. CHANGING OF DISTRIBUTION ELECTIONS. With respect to the choices made in Section 5 above, I recognize that I may, by submitting an effective superseding election, at any time either more than 90 days prior to a Change in Control or more than one year before my Continuous Service terminates for any reason, file a new election (subject to the provisions of Sections 1 and 9 hereof). In addition, I recognize that I may at any time and from time to time change the elections made in Sections 6 and 7 above, prior to my death.

9. CHANGE IN U.S. TAX LAWS. I recognize and agree that the Company may in its discretion take any actions that it considers reasonably necessary or proper to assure that any changes in the U.S. federal tax laws will not accelerate the date of my income taxation to a date before I receive Shares pursuant to my elections in this Agreement. If such taxation will occur on an accelerated basis and I have not executed such documents, if any, that the Company considers reasonably necessary or proper to avoid immediate taxation, then the Company shall distribute my Account to me.

10. SATISFACTION OF AWARD COMMITMENTS. I recognize and agree that the Committee is offering me the choices set forth above as a condition for my transfer of previously-owned Shares to the Company to pay the exercise price for Share options that I desire to exercise pursuant to the terms of this Agreement.

11. HOLD HARMLESS. I recognize that (a) the tax deferral election being offered hereunder is solely an accommodation of the Company to me, (b) the Company has urged me to seek independent tax advice about the risks and benefits associated with the choices presented above, and (c) I am solely responsible and accountable for any election made above, as

well as any risk associated with the tax consequences of this election. Accordingly, I agree to hold the Company, its directors, officers, employees, agents harmless against any and all loss that they may incur if I bring any action, claim, or proceeding of any kind whatsoever in order to seek recovery in law or equity for any loss or other damage that I incur if this election does not have the tax consequences that I anticipate.

Accordingly, I recognize and agree that the Company shall have honored and discharged its obligations under this Agreement, the Share options being exercised, and the Plan if the Company distributes my Account in accordance with the provisions hereof.

WITNESSED THIS DAY OF \_\_\_\_\_, BY: PARTICIPANT

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RECEIVED AND ACCEPTED THIS \_\_\_\_  
DAY OF \_\_\_\_\_, 200\_ BY:

ACADIA REALTY TRUST

-----  
Name:

Title:

AMENDED RESTATED AND CONSOLIDATED PROMISSORY NOTE

US \$15,000,000.00

August 13, 2004

WHEREAS, Greenwich Capital Financial Products, Inc. is the owner and holder of those certain promissory notes described on Exhibit A attached hereto (collectively, the "EXISTING NOTES");

WHEREAS, as of the date hereof, the aggregate outstanding principal amount of the Existing Notes is \$15,000,000;

WHEREAS, Greenwich Capital Financial Products, Inc., as lender, and Acadia New London, LLC, a Delaware limited liability company as borrower, wish to amend, restate and consolidate the indebtedness evidenced by the Existing Notes into a single consolidated note in the principal amount of \$15,000,000.00.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Existing Notes are hereby amended, restated and consolidated in their entirety to read as follows:

FOR VALUE RECEIVED, the undersigned, ACADIA NEW LOUDON, LLC, a Delaware limited liability company ("BORROWER"), having an address at c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, White Plains, New York 10605, promises to pay GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., a Delaware corporation ("LENDER"), or order, at 600 Steamboat Road, Greenwich, Connecticut 06830, or such other place as the holder hereof may designate in writing, the principal sum of FIFTEEN MILLION AND NO/100 DOLLARS (US\$15,000,000.00) (the "Principal"), with interest on the unpaid principal balance from the date of this Note, until paid, at the rate of 5.635% per annum (the "INTEREST RATE"). This Promissory Note may be referred to herein as the "NOTE," and the loan evidenced hereby may be referred to herein as the "LOAN."

1. PAYMENTS OF PRINCIPAL AND INTEREST. Borrower shall pay to Lender a payment of \$56,350 on the date hereof, representing interest from the date of funding through September 5, 2004. On October 6, 2004 and on each Payment Date (as defined herein) thereafter through and including August 6, 2006, Borrower shall pay to Lender interest on the unpaid Principal at the Interest Rate which has accrued from the first day through the last day of the calendar month immediately preceding such Payment Date. The Principal and the interest thereon at the Interest Rate shall be due and payable by Borrower to Lender in consecutive monthly installments, each in the amount of \$86,443.19 (the "MONTHLY DEBT SERVICE PAYMENT AMOUNT") beginning on September 6, 2006 (herein "AMORTIZATION COMMENCEMENT DATE") and on each Payment Date thereafter until the entire indebtedness evidenced hereby is fully paid, except

that any remaining indebtedness, if not sooner paid, shall be due and payable on September 6, 2014 (the "MATURITY DATE").

Interest on the principal sum of this Note shall be calculated on the basis of a 360 day year, and shall be charged based on the actual number of days during each month or other applicable accrual period. Interest on this Note shall be paid in arrears.

The undersigned shall pay the holder hereof, in advance, on the date hereof, interest only on the outstanding principal balance of this Note, at the interest rate first mentioned above, from the date hereof through and including the last day of the calendar month in which this Note is executed.

The Monthly Debt Service Payment Amount due on any Payment Date shall first be applied to the payment of interest accrued during the preceding accrual period and the remainder of such Monthly Debt Service Payment Amount shall be applied to the reduction of the unpaid Principal. All accrued and unpaid interest shall be due and payable on the Maturity Date. If the Loan is repaid on any date other than on a Payment Date (whether prior to or after the Maturity Date), Borrower shall also pay interest that would have accrued on such repaid Principal to but not including the next Payment Date.

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

As used herein, the term "PAYMENT DATE" shall mean the sixth (6th) day of each calendar month or, upon Lender's exercise of its right to change the Payment Date in accordance with this paragraph, the New Payment Date (in either case, if such day is not a Business Day, the Payment Date shall be the first Business Day thereafter). The first Payment Date hereunder shall be October 6, 2004. Notwithstanding the foregoing, Lender shall have the right, to be exercised not more than once during the term of the Loan, to change the Payment Date to a date other than the first day of each month (a "NEW PAYMENT DATE"), on 30 days' written notice to Borrower; provided, however, that any such change in the Payment Date: (i) shall not modify the amount of regularly scheduled monthly principal and interest payments, except that the first payment of principal and interest payable on the New Payment Date shall be accompanied by interest at the interest rate herein provided for the period from the Payment Date in the month in which the New Payment Date first occurs to the New Payment Date, and (ii) shall extend the Maturity Date to the New Payment Date occurring in the month set forth in the definition of Maturity Date.

2. SECURITY; LOAN DOCUMENTS. The indebtedness evidenced by this Note is secured by, among other things, that certain Amended, Restated and Consolidated Mortgage, Assignment of Rents and Security Agreement of even date herewith (the "INSTRUMENT"), executed by Borrower, encumbering real property more particularly described therein (the "PROPERTY"), and reference is made thereto for rights as to acceleration of the indebtedness evidenced by this Note. This Note, the Instrument, and all other documents or instruments given by Borrower or any guarantor and accepted by Lender for purposes of evidencing, securing, perfecting, or guaranteeing the indebtedness evidenced by this Note may be referred to as the

"LOAN DOCUMENTS." Any capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in the Instrument.

3. DEFEASANCE.

A. Notwithstanding anything to the contrary contained in this Note, the Instrument or the Loan Documents, at any time (x) after the earlier of the 42nd month after the date hereof or the second (2nd) anniversary of the date that is the "STARTUP DAY," within the meaning of Section 860G 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," within the meaning of Section 860D of the Code, that holds this Note and (y) before the date which is ninety (90) days prior to the Maturity Date (the "PERMITTED PREPAYMENT DATE"); and provided (unless Lender shall otherwise consent, in its sole discretion) no event of default has occurred and is continuing, Borrower shall have the right to obtain the release of the Property from the lien of the Instrument and the other Loan Documents (such release, the "DEFEASANCE") upon the satisfaction of the following conditions precedent (all of which conditions shall become covenants upon occurrence of the Defeasance):

(i) Borrower shall provide to Lender not less than 30 days' prior written notice specifying a Payment Date on which the Defeasance Deposit (hereinafter defined) is to be made (the date so specified may be referred to as the "DEFEASANCE ELECTION DATE").

(ii) Borrower shall pay to Lender on the Defeasance Election Date all interest accrued and unpaid on the outstanding principal amount of this Note to the Defeasance Election Date and the scheduled principal amortization payment due on such Defeasance Election Date, together with all other amounts then due and payable under this Note, the Instrument and the other Loan Documents.

(iii) Borrower shall irrevocably deposit with Lender an amount 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 dates of the payments owing hereunder, 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 Lender (the "CPA CERTIFICATE"), to pay and discharge the Scheduled Defeasance Payments (hereinafter defined). The securities so deposited, together with any interest or other increase from the issuer of the securities earned thereon and any replacements thereof, shall be referred to herein as the "DEFEASANCE DEPOSIT."

(iv) Borrower shall cause the following to be delivered to Lender on or prior to the Defeasance Election Date, all in form and substance satisfactory to Lender in its reasonable discretion:

(a) a security agreement, in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit (the "DEFEASANCE SECURITY AGREEMENT");

(b) the CPA Certificate;

(c) a certificate of Borrower certifying that all requirements for the Defeasance set forth herein have been satisfied;

(d) an opinion of counsel for Borrower in form and substance satisfactory to Lender to the effect that (i) Lender has a perfected first priority security interest in the Defeasance Deposit, and (ii) the holder of this Note will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Defeasance had not occurred, and (iii) any holder, trustee or custodian of this Note which is a "REAL ESTATE MORTGAGE INVESTMENT CONDUIT" within the meaning of Section 860D of the Code will not fail to maintain its status as such as a result of the Defeasance;

(e) evidence in writing from the applicable rating agencies for any securitization transaction of which this Note is a part, to the effect that the Defeasance will not result in a downgrading, withdrawal, or qualification of the ratings in effect immediately prior to such Defeasance for the then-outstanding securities issued in connection with such securitization;

(f) evidence satisfactory to Lender that suitable arrangements have been made to maintain the existence of Borrower during the time thereafter when the Note shall be outstanding; and

(g) such other certificates, documents or instruments as Lender may reasonably request or as may be required by the rating agencies referred to above.

(v) Either (i) Borrower shall deliver to Lender a certificate stating that at all times following the Defeasance, Borrower shall have no interest in any assets other than the Defeasance Deposit, or (ii) Borrower shall satisfy all of the requirements of Section C below.

(vi) Borrower shall pay to Lender all reasonable out-of-pocket costs and expenses (including, without limitation, attorneys' fees and disbursements) incurred or anticipated to be incurred by Lender in connection with the Defeasance.

B. Upon compliance with the requirements of Section A above, Lender shall cause the Property to be released from the lien of the Instrument, the obligations hereunder and under the other Loan Documents with respect to the Property shall no longer be applicable, the balance of each Subaccount shall be disbursed to Borrower and the Defeasance Deposit shall be the sole source of collateral securing this Note. Lender shall apply the Defeasance Deposit and the payments received therefrom to the payment of all scheduled principal and interest payments due on all successive payment dates under this Note after the Defeasance Election Date and the payment due on the maturity date specified in this Note (the "SCHEDULED DEFEASANCE PAYMENTS"). Borrower, 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 Lender and applied to satisfy the obligations of Borrower under this Note.

C. If, after the Defeasance, Borrower will own any assets other than the Defeasance Deposit, Borrower shall establish or designate a single-purpose, bankruptcy-remote

successor entity acceptable to Lender (the "SUCCESSOR BORROWER"), with respect to which a non-consolidation opinion satisfactory in form and substance to Lender and any applicable rating agencies shall be delivered to Lender and such rating agencies (if such a non-consolidation opinion was required of Borrower in connection with the origination of the indebtedness secured hereby) in which case Borrower shall transfer and assign to the Successor Borrower all obligations, rights and duties under this Note and the Defeasance Security Agreement, together with the pledged Defeasance Deposit. The Successor Borrower shall assume the obligations of Borrower under this Note and the Defeasance Security Agreement, and Borrower shall be relieved of its obligations hereunder and thereunder. Borrower shall pay not less than \$1,000 to the Successor Borrower as consideration for assuming such Borrower obligations.

D. As used herein, the term "U.S. GOVERNMENT SECURITIES" shall mean securities that are (i) direct obligations of the United States of America for the full and timely payment of which its full faith and credit is pledged or (ii) obligations of an entity controlled or supervised by and acting as an agency or instrumentality and guaranteed as a full faith and credit obligation which shall be fully and timely paid by the United States of America, which in either case are not callable or redeemable at the option of the issuer thereof (including a depository receipt issued by a bank (as defined in Section 3(a)(2) of the United States Securities Act)) as custodian with respect to any such U.S. Government Securities or a specific payment of principal of or interest on any such U.S. Government Securities held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the securities or the specific payment of principal of or interest on the securities evidenced by such depository receipt.

E. If, after payment in full of all obligations evidenced by this Note or any other of the Loan Documents, any of the Defeasance Deposit remains, then on request by Borrower such remaining balance of the Defeasance Deposit shall be returned to Borrower (or to the Successor Borrower, as the case may be).

4. PREPAYMENT; PREPAYMENT CONSIDERATION. If any prepayment of all or any portion of the principal balance hereunder occurs, whether in connection with Lender's acceleration of the unpaid principal balance of this Note or in any other circumstances whatsoever, or if the Instrument is satisfied or released by foreclosure (whether by power of sale or judicial proceeding), deed in lieu of foreclosure or by any other means, then Borrower shall therewith pay the Prepayment Consideration. The foregoing shall not create any right of prepayment. Borrower shall have no right whatsoever to prepay all or any portion of the principal balance of this Note, except only as follows:

(i) Borrower shall have the right to prepay and shall not be required to pay any Prepayment Consideration with respect to prepayment required by Lender pursuant to the Instrument as a result of the application of insurance proceeds or condemnation awards under the Instrument or as a result of prepayment of the entire principal balance of this Note remaining due after the application of insurance proceeds or condemnation awards under the Instrument, provided that such prepayment of the entire principal balance of this Note remaining due is made within one hundred eighty (180) days following the date of such application; and



(ii) Further, provided Borrower is not in default hereunder or under any of the Loan Documents and provides not less than 30 days' prior written notice, Borrower shall have the right to pay all (but not less than all) obligations then outstanding under the Loan Documents, including the prepayment of all principal, from and after the Permitted Prepayment Date. In such case, there shall be no Prepayment Consideration due, except that if any such prepayment occurs on any day other than a Payment Date, then in addition to the prepayment amount Borrower also shall pay to Lender the amount of interest that would have accrued under the Note on the amount being prepaid from and including the prepayment date to the next Payment Date.

The "PREPAYMENT CONSIDERATION" shall be the amount equal to the greater of (i) two percent of the Loan balance at the time of prepayment, or (ii) the sum of one percent of the Loan balance at the time of prepayment, plus the excess, if any, of (A) the amount of the monthly interest which would otherwise be payable on the principal balance being prepaid from the date of the first day of the calendar month immediately following the date of prepayment (unless prepayment is tendered on the first day of any calendar month during the term of this Note, in which case from the date of prepayment) to and including the Maturity Date; over (B) the amount of the monthly interest the Lender would earn if the principal balance being prepaid were reinvested for the period from the first day of the calendar month immediately following the date of prepayment (unless prepayment is tendered on the first day of any calendar month during the term of this Note, in which case from the date of prepayment) to and including the Maturity Date at the Treasury Rate (as hereinafter defined), such difference to be discounted to present value at the Treasury Rate.

The "TREASURY RATE" shall be the annualized yield on securities issued by the United States Treasury having a maturity corresponding to the remaining term to the originally scheduled Maturity Date of this Note, as quoted in Federal Reserve Statistical Release H. 15(519) under the heading "U.S. Government Securities - Treasury Constant Maturities" for the Treasury Rate Determination Date (as defined below), converted to a monthly equivalent yield. If yields for such securities of such maturity are not shown in such publication, then the Treasury Rate shall be determined by Lender by linear interpolation between the yields of securities of the next longer and next shorter maturities. If said Federal Reserve Statistical Release or any other information necessary for determination of the Treasury Rate in accordance with the foregoing is no longer published or is otherwise unavailable, then the Treasury Rate shall be reasonably determined by Lender based on comparable data.

The term "TREASURY RATE DETERMINATION DATE" shall mean the date which is five banking days prior to the scheduled prepayment date. Lender shall notify Borrower of the amount and the basis of determination of the required Prepayment Consideration.

[NO FURTHER TEXT ON THIS PAGE; DOCUMENT CONTINUES ON NEXT PAGE]

BORROWER HEREBY EXPRESSLY WAIVES THE RIGHT TO PREPAY THE INDEBTEDNESS EVIDENCED HEREBY IN WHOLE OR PART WITHOUT PENALTY, AND EXPRESSLY AGREES TO PAY THE AMOUNTS REQUIRED HEREIN IN THE EVENT OF AN ACCELERATION. BORROWER AGREES THAT THE PREPAYMENT CONSIDERATION REQUIRED HEREIN IS REASONABLE. BORROWER HAS GIVEN INDIVIDUAL WEIGHT TO THE CONSIDERATION IN THIS TRANSACTION FOR THIS WAIVER AND AGREEMENT. BORROWER HEREBY EXPRESSLY WAIVES THE BENEFIT OF ANY APPLICABLE LAW TO THE CONTRARY.

ACADIA NEW LOUDON, LLC, a  
Delaware limited liability company

By:

-----  
Name: Robert Masters  
Title: Senior Vice President

DOCUMENT CONTINUES FOLLOWING SIGNATURE

5. EVENTS OF DEFAULT; ACCELERATION. The following shall constitute an "EVENT OF DEFAULT" hereunder: (i) if any installment under this Note is not paid when due, or (ii) if any condition or event occurs as a consequence of which the holder hereof then has the right to accelerate the indebtedness hereunder pursuant to any of the other Loan Documents.

Upon and at any time following the occurrence of any Event of Default, then at the option of the holder hereof and without notice, the entire principal amount and all interest accrued and outstanding hereunder and all other amounts outstanding under any of the Loan Documents shall at once become due and payable, and the holder hereof may exercise any and all of its rights and remedies under any of the Loan Documents or pursuant to applicable law. The holder hereof may so accelerate such obligations and exercise such remedies at any time after the occurrence of any Event of Default, regardless of any prior forbearance.

6. LATE CHARGES; ADDITIONAL INTEREST ON DEFAULT. If any installment under this Note or any other amount owing hereunder or under any of the other Loan Documents is not received by the holder hereof within five days after the same is due, then the undersigned shall pay to the holder hereof a late charge of the lesser of (a) five percent of such installment and (b) the maximum amount permitted by applicable law, such late charge to be immediately due and payable without demand by the holder hereof.

In addition, after the occurrence and during the continuance of an Event of Default, the outstanding principal balance of this Note shall bear interest at the rate of five percent per annum in excess of the rate provided in the first paragraph of this Note, or, if such increased rate of interest may not be collected from the undersigned under applicable law, then at the maximum increased rate of interest which may be collected from the undersigned under applicable law (the "DEFAULT RATE").

Borrower agrees that such late charge and increased interest are reasonable and do not constitute a penalty.

7. **LAWFUL INTEREST.** The parties hereto intend to conform strictly to the applicable usury laws. In no event, whether by reason of demand for payment, prepayment, acceleration of the maturity hereof or otherwise, shall the interest contracted for, charged or received by the holder hereof hereunder or otherwise exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever interest would otherwise be payable to the holder hereof in excess of the maximum lawful amount, the interest payable to the holder hereof shall be reduced automatically to the maximum amount permitted by applicable law. If the holder hereof shall ever receive anything of value deemed interest under applicable law which would apart from this provision be in excess of the maximum lawful amount, an amount equal to any amount which would have been excessive interest shall be applied to the reduction of the principal amount owing hereunder in the inverse order of its maturity and not to the payment of interest, or if such amount which would have been excessive interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to the undersigned. All interest paid or agreed to be paid to the holder hereof shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of such indebtedness so that the amount of interest on account of such indebtedness does not exceed the maximum permitted by applicable law. The provisions of this paragraph shall control all existing and future agreements between the undersigned and the holder hereof.

8. **CERTAIN RIGHTS AND WAIVERS.** From time to time, without affecting the obligation of the undersigned or the successors or assigns of the undersigned to pay the outstanding principal balance of this Note and observe the covenants of the undersigned contained herein, in the Instrument or in any other Loan Document without affecting the guaranty of any person or entity for payment of the outstanding principal balance of this Note, without giving notice to or obtaining the consent of the undersigned, the successors or assigns of the undersigned or guarantors, and without liability on the part of the holder hereof, the holder hereof may, at the option of the holder hereof, extend the time for payment of said outstanding principal balance or any part thereof, reduce the payments thereon, release anyone liable on any of said outstanding principal balance, accept a renewal of this Note, modify the terms and time of payment of said outstanding principal balance, join in any extension or subordination agreement, release any security given herefor, take or release other or additional security, and agree in writing with the undersigned to modify the rate of interest or period of amortization of this Note or change the amount of the monthly installments payable hereunder.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note shall be the joint and several obligation of all makers, sureties, guarantors, and endorsers, and shall be binding upon them and their successors and assigns.

THE UNDERSIGNED HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THE UNDERSIGNED MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THIS NOTE, THE INSTRUMENT, ANY OTHER

LOAN DOCUMENT, ANY OTHER AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY.

The holder hereof shall have the right to assign or transfer, in whole or in part (including the right to grant participation interests in) any or all of its obligations under this Note, the Instrument and any or all of the other Loan Documents. Lender shall be released of any obligations to the extent that the same are so assigned or transferred, and the rights and obligations of "LENDER" hereunder shall become the rights and obligations of the transferee holder.

9. LIMITATION ON RECOURSE. Lender's rights of recourse for the obligations of Borrower hereunder are limited in accordance with the Instrument. This provision shall not limit any rights of Lender under any guaranty.

10. ATTORNEYS' FEES, COSTS OF COLLECTION. Borrower shall pay to Lender on demand all costs and expenses, including reasonable attorneys' fees and expenses, incurred by Lender in collecting the indebtedness arising hereunder or under any other Loan Documents or secured thereby, or in determining the rights and obligations of any parties hereto or thereto, or as a consequence of any breach or default by Borrower or any guarantor hereunder or thereunder, or otherwise as a consequence of any right evidenced or secured by this Note or the Loan Documents. Without limitation, such costs and expenses to be reimbursed by Borrower shall include attorneys' fees and expenses incurred in any Bankruptcy case or proceeding and in any appeal.

11. NO NOVATION. The Existing Notes are restated and superseded in their entirety by this Amended and Restated Promissory Note, but the indebtedness evidenced by the Existing Notes shall not be discharged or impaired by the execution and delivery of this Amended and Restated Promissory Note, and the execution and delivery of this Amended and Restated Promissory Note is not intended to constitute a novation of the Existing Notes nor impair or modify the priority of any security document executed in connection therewith.

12. COUNTERPARTS. This Note 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.

13. APPLICABLE LAW. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the undersigned have executed this Promissory Note as of the date first written above.

BORROWER:

ACADIA NEW LOUDON, LLC, a Delaware limited liability company

By:

-----  
Name: Robert Masters  
Title: Senior Vice President

LENDER:

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., a Delaware corporation

By:

-----  
Name:  
Title:

EXHIBIT A

1. Severed Note, which has an unpaid principal balance of \$7,935,892.24, made by Acadia Realty Limited Partnership, a Delaware limited partnership, in favor of Washington Mutual Bank, FA, dated as of August 13, 2004 and Allonge to Severed Note in the amount of \$7,935,892.24 made by Washington Mutual Bank, FA, dated as of August 13, 2004.
2. Promissory Note in the amount of 7,064,107.76 made by Acadia New Loudon, LLC, a Delaware limited partnership, in favor of Greenwich Capital Financial Products, dated as of August 13, 2004.

=====  
Acadia New Loudon, LLC,

as mortgagor

(Borrower)

to

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.,

as mortgagee

(Lender)

-----  
AMENDED, RESTATED AND CONSOLIDATED  
MORTGAGE, ASSIGNMENT OF LEASES AND  
RENTS AND SECURITY AGREEMENT  
-----

Dated: As of August 13, 2004  
Property Location: 873 Loudon Road and 6 Weed Road  
Latham, New York

PREPARED BY AND UPON  
RECORDATION RETURN TO:

Kaye Scholer LLP  
425 Park Avenue,  
New York, New York 10022  
Attention: Stephen Gliatta, Esq.

=====  
THIS MORTGAGE DOES NOT COVER REAL PROPERTY PRINCIPALLY IMPROVED BY ONE OR MORE  
STRUCTURES CONTAINING, IN THE AGGREGATE, NOT MORE THAN SIX RESIDENTIAL DWELLING  
UNITS, EACH HAVING ITS OWN SEPARATE COOKING FACILITIES

AMENDED, RESTATED AND CONSOLIDATED MORTGAGE, ASSIGNMENT OF  
LEASES AND RENTS AND SECURITY AGREEMENT

THIS AMENDED, RESTATED AND CONSOLIDATED MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (herein "INSTRUMENT") is made as of August 13, 2004, and is given by the mortgagor, Acadia New Loudon, LLC, a Delaware limited liability company whose address is c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, White Plains, New York 10605 (herein "BORROWER"), to the mortgagee, GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., a corporation organized and existing under the laws of the state of Delaware, whose address is 600 Steamboat Road, Greenwich, Connecticut 06830, together with its successors, assigns and transferees (herein "LENDER").

RECITALS

A. Lender is making a secured loan to Borrower in the original principal amount of \$15,000,000 (the "LOAN"). The Loan is evidenced by that certain Amended, Restated and Consolidated Promissory Note dated the date hereof made by Borrower to Lender in such principal amount (as the same may be amended, modified, restated, severed, consolidated, renewed, replaced, or supplemented from time to time, the "NOTE").

B. Lender is the holder of the mortgages described on Schedule 1 hereto (collectively, the "ORIGINAL MORTGAGES") and of the notes secured thereby (collectively, the "ORIGINAL NOTES").

C. Lender is also the holder of that certain promissory note of even date herewith in the principal amount of \$7,064,107.76 made by Borrower to Lender (the "NEW NOTE" and together with the Original Notes, collectively, the "EXISTING NOTES"), which New Note is secured by that certain Mortgage, Assignment of Leases and Rents and Security Agreement of even date herewith given by Borrower to Lender (the "NEW MORTGAGE" and together with the Original Mortgages, the "EXISTING MORTGAGES").

D. The outstanding principal indebtedness evidenced by the Existing Notes and secured by the Existing Mortgages is \$15,000,000.00 and Borrower represents and warrants that Borrower has no offsets, defenses or counterclaims under or with respect to any of its obligations under the Existing Notes or Existing Mortgages.

E. Simultaneously with the execution and delivery hereof, Borrower is executing and delivering the Note, which Note is intended to consolidate, amend and restate in their entirety the Existing Notes and to evidence the principal indebtedness heretofore evidenced by the Existing Notes.

F. Borrower and Lender desire to confirm the lien of the Existing Mortgages, to consolidate the Existing Mortgages and the liens created thereby, to amend and restate the Existing Mortgages in their entirety and to spread the lien of the Existing Mortgages, all pursuant to the terms set forth herein (the Existing Mortgages, as so consolidated, amended and restated



and spread, and as hereafter from time to time extended, split, spread, renewed, modified, consolidated, or further amended and restated, this "INSTRUMENT").

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender hereby agree that, effective as of the date hereof, the Existing Mortgages and the respective liens thereof are hereby combined and consolidated so that together they shall hereafter constitute in law but one mortgage, a single lien covering the Collateral (as hereinafter defined) and securing the principal sum of \$15,000,000 and that the Existing Mortgages are hereby amended and restated in their entirety, and the consolidated lien thereof is hereby spread, as follows:

BORROWER, in consideration of the indebtedness herein recited, irrevocably grants, conveys, mortgages and assigns to Lender, WITH POWER OF SALE AND RIGHTS OF ENTRY AND POSSESSION, the following described property located in the County of Albany, State of New York, and more particularly described on Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

TOGETHER with all buildings, improvements and tenements now or hereafter erected on the property, and all heretofore or hereafter vacated alleys and streets abutting the property, and all easements, rights, appurtenances, rents (subject however to the assignment of rents to Lender herein), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the property, and all fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with the property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, rugs, attached floor coverings, furniture, pictures, antennas, trees and plants, tax refunds, trade names, licenses, permits, Borrower's rights to insurance proceeds, unearned insurance premiums and chooses in action; all of which, including replacements and additions thereto and substitutions therefor, shall be deemed to be and remain a part of the real property covered by this Instrument; and all of the foregoing, together with said property are herein referred to as the "PROPERTY";

TOGETHER with all right, title and interest in, to and under any and all leases now or hereinafter in existence (as amended or supplemented from time to time) and covering space in or applicable to the Property (hereinafter referred to collectively as the "LEASES" and singularly as a "LEASE"), together with all rents, earnings, income, profits, benefits and advantages arising from the Property and from said Leases and all other sums due or to become due under and pursuant thereto, and together with any and all guarantees of or under any of said Leases, and together with all rights, powers, privileges, options and other benefits of Borrower as lessor under the Leases, including, without limitation, the immediate and continuing right to receive and collect all rents, income, revenues, issues, profits, condemnation awards, insurance proceeds, moneys and security payable or receivable under the Leases or pursuant to any of the provisions

thereof, whether as rent or otherwise, the right to accept or reject any offer made by any tenant pursuant to its Lease to purchase the Property and any other property subject to the Lease as therein provided and to perform all other necessary or appropriate acts with respect to such Leases as agent and attorney-in-fact for Borrower, and the right to make all waivers and agreements, to give and receive all notices, consents and releases, to take such action upon the happening of a default under any Lease, including the commencement, conduct and consummation of proceedings at law or in equity as shall be permitted under any provision of any Lease or by any law, and to do any and all other things whatsoever which the Borrower is or may become entitled to do under any such Lease together with all accounts receivable, contract rights, franchises, interests, estates or other claims, both at law and in equity, relating to the Property, to the extent not included in rent earnings and income under any of the Leases;

TOGETHER with all right, title and interest in, to and under any and all reserve, deposit or escrow accounts (the "ACCOUNTS") made pursuant to any loan document made between Borrower and Lender with respect to the Property, together with all income, profits, benefits and advantages arising therefrom, and together with all rights, powers, privileges, options and other benefits of Borrower under the Accounts, and together with the right to do any and all other things whatsoever which the Borrower is or may become entitled to do under the Accounts;

TOGETHER with all agreements, contracts, certificates, guaranties, warranties, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, pertaining to the use, occupancy, construction, management or operation of the Property and any part thereof and any improvements or respecting any business or activity conducted on the Property and any part thereof and all right, title and interest of Borrower therein, including the right to receive and collect any sums payable to Borrower thereunder and all deposits or other security or advance payments made by Borrower with respect to any of the services related to the Property or the operation thereof;

TOGETHER with all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property; and

TOGETHER with any and all proceeds resulting or arising from any of the foregoing (the Property, the Leases, the Accounts, and all other property, whether real, personal, tangible, or intangible, described above, and all proceeds thereof, may be referred to collectively as the "COLLATERAL").

THIS INSTRUMENT SECURES TO LENDER (a) the repayment of the indebtedness evidenced by the Note in the principal sum of FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000) (the "PRINCIPAL"), with interest thereon, with the balance of the indebtedness, if not sooner paid, due and payable on September 6, 2014 (the "MATURITY DATE"), and all renewals, extensions and modifications thereof; (b) the performance of the covenants and agreements of Borrower contained in an Environmental Indemnity Agreement (herein so-called) between Lender and Borrower dated of even date herewith; (c) the payment of all other sums, with interest thereon, advanced by Lender in accordance herewith to protect the security of this Instrument; and (d) the performance of the covenants and agreements of Borrower herein

contained, or contained in any other Loan Document, INCLUDING BORROWER'S COVENANT TO REPAY ALL FUTURE ADVANCES (the Note, this Instrument, and all other documents or instruments given by Borrower or others and accepted by Lender for purposes of evidencing, securing, perfecting, or guaranteeing the indebtedness evidenced by the Note may be referred to as the "LOAN DOCUMENTS"). Without limitation of the foregoing, the following documents and instruments of even date herewith are also Loan Documents: (i) Assignment of Leases and Rents from Borrower to Lender, (ii) Assignment of Agreements, Licenses, Permits and Contracts from Borrower to Lender, (iii) the Clearing Account Agreement (the "CLEARING ACCOUNT AGREEMENT") among Borrower, Lender, Acadia Realty Limited Partnership ("MANAGER") and Fleet National Bank, (iv) the Deposit Account Agreement (the "DEPOSIT ACCOUNT AGREEMENT") among Borrower, Lender, Manager and Deposit Bank, (v) the Guaranty of Recourse Obligations (the "GUARANTY") made by Acadia Realty Limited Partnership, a Delaware limited partnership ("GUARANTOR"), (vi) the Certificate of Borrower and (vii) Environmental Indemnity Agreement made by Borrower for the benefit of Lender (the "ENVIRONMENTAL INDEMNITY AGREEMENT"), 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.

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant, convey and assign the Property, that the Property is unencumbered, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower represents, warrants, covenants and agrees in favor of Lender as follows:

SECTION 1. PAYMENT OF PRINCIPAL AND INTEREST. Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, any prepayment and late charges provided in the Note and all other sums secured by this Instrument.

SECTION 2. INTENTIONALLY DELETED.

SECTION 3. APPLICATION OF PAYMENTS. Lender may apply any payments received from or on behalf of Borrower to any of the obligations of Borrower then due under the Loan Documents, in any order determined by Lender.

SECTION 4. CHARGES; LIENS. Borrower shall pay all rents, taxes, charges assessments and impositions attributable to the Property (collectively "TAXES") when due. Unless Lender is paying such Taxes in accordance with Section 25, Borrower shall promptly furnish to Lender all notices of amounts due under this Section, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Except only for the liens and security interests in favor of Lender under this Instrument and the other Loan Documents, which Borrower shall pay and discharge in accordance with the Loan Documents, Borrower shall promptly discharge any lien encumbering all or any portion of or interest in the Property (unless such lien is bonded within 30 days after Borrower first receives notice of such lien), irrespective of the priority of the same. Borrower

shall pay, when due, the claims of all persons supplying labor or materials to or in connection with the Property (unless such claims are the subject of a bona fide dispute in which Borrower is contesting the amount or validity thereof).

SECTION 5. HAZARD INSURANCE. Borrower shall at all times keep the improvements now existing or hereafter erected on the Property insured against all losses, hazards, casualties, liabilities and contingencies as Lender shall reasonably require and in such amounts and for such periods as Lender shall reasonably require. Borrower shall purchase and maintain policies of insurance with respect to the Property in such amounts and covering such risks as shall be satisfactory to Lender, including, but not limited to, the following:

(a) Property damage insurance covering loss or damage to the Property caused by fire, lightning, hail, windstorm, explosion, hurricane (to the extent available), vandalism, malicious mischief, and, if available and subject to subsection (i) below, coverage for damage or destruction caused by the acts of "Terrorists" (or such policies shall have no exclusion from coverage with respect thereto) and such other losses, hazards, casualties, liabilities and contingencies as are normally and usually covered by fire policies in effect where the Property is located endorsed to include all of the extended coverage perils and other broad form perils, including the standard "all risks" clauses. Such policy shall be in an amount not less than that necessary to comply with any coinsurance percentage stipulated in the policy, but not less than the lesser of 100% of the full replacement cost of the improvements on the Property (without any deduction for depreciation) or the unpaid principal amount of the loan evidenced by the Note, and shall contain a replacement cost endorsement. The deductible under such policy, if any, shall not exceed the lesser of five percent (5%) of Net Operating Income or \$50,000. Further, if any of the improvements or the use of the Property shall at any time constitute legal nonconforming structures or uses under current zoning ordinances, such policy shall contain an "Ordinance or Law Coverage" or "Enforcement" endorsement providing coverage for demolition, increased cost of construction and inability to rebuild.

(b) Broad form boiler and machinery insurance in an amount equal to the lesser of 100% of the full replacement cost of the building (without any deduction for depreciation) in which the boiler or similar vessel is located, or \$2,000,000. In addition, Lender may require a rider to such policy to extend such coverage to electrical machinery and equipment, air conditioning, refrigeration, and mechanical objects.

(c) If the Property is in an area prone to geological phenomena, including, but not limited to, sinkholes, mine subsidence or earthquakes, insurance covering such risks in an amount equal to 100% of the full replacement cost of the improvements on the Property (without any deduction for depreciation), and with a maximum permissible deductible equal to the lesser of \$25,000 or 10% of the face value of the policy.

(d) Flood insurance if the Property is in an area now or hereafter designated by the Federal Emergency Management Agency as a Zone "A" & "V" Special Hazard Area, or such other Special Hazard Area if Lender so requires in its sole discretion. Such policy shall be in an amount equal to 100% of the full replacement cost of the improvements on the Property (without any deduction for depreciation), and shall have a maximum permissible deductible of \$3,000.

(e) Business interruption or rent loss insurance in an amount equal to the gross income or rentals from the Property for an indemnity period of eighteen months, such amount being adjusted annually.

(f) During any period of reconstruction, renovation or alteration of the Property in excess of 10% of the Note, a completed value, "All Risks" Builders Risk form or "Course of Construction" insurance policy in non-reporting form and in an amount satisfactory to Lender in Lender's sole discretion.

(g) Commercial General Liability insurance covering bodily injury and death in an amount not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible, together with at least \$25,000,000 excess and/or umbrella liability insurance for any and all claims. If Lender permits such liability coverage to be written on a blanket basis, then such policy shall provide that the aggregate limit of insurance applies separately to the Property.

(h) If required by applicable state laws, worker's compensation or employer's liability insurance in accordance with such laws.

(i) Notwithstanding anything in subsection (a) above to the contrary, Borrower shall be required to obtain and maintain coverage in its property insurance policy (or by a separate policy) against loss or damage by terrorist acts provided that such coverage is available. Borrower shall obtain such coverage from a carrier which otherwise satisfies the rating criteria specified in this Section 5 (a "QUALIFIED CARRIER") or in the event that such coverage is not available from a Qualified Carrier, Borrower shall obtain such coverage from the highest rated insurance company providing such coverage. If such coverage with respect to terrorist acts is available as aforesaid, Borrower shall obtain and maintain such coverage in an amount equal to 100% of the "Full Replacement Cost" of the Property.

(j) Such other insurance and endorsements, if any, as Lender may reasonably require from time to time, or which are required by the Loan Documents.

Each carrier providing any insurance, or portion thereof, required by this Section shall be issued by companies approved by Lender and licensed to do business in the State, with a claims paying ability rating of "AA" or better by S&P (and the equivalent by any other Rating Agency) and a rating of A:X or better in the current Best's Insurance Reports; provided, that, the liability insurance required under paragraph (g) of this Section shall be issued by companies approved by Lender and licensed to do business in the State, with a claims paying ability rating of "A+" or better by S&P (and the equivalent by any other Rating Agency) and a rating of A:X or better in the current Best's Insurance Reports. Borrower shall cause all insurance (except general public liability insurance) carried in accordance with this Section to be payable to Lender as a mortgagee and not as a coinsured, and, in the case of all policies of insurance carried by each lessee for the benefit of Borrower, if any, to cause all such policies to be payable to Lender as Lender's interest may appear. All premiums on insurance policies shall be paid, in the manner provided under Section 25(d) hereof, or in such other manner as Lender may designate in writing.

All insurance policies and renewals thereof (i) shall be in a form acceptable to Lender, (ii) shall provide for a term of not less than one year, (iii) shall provide by way of endorsement, rider or otherwise that such insurance policy shall not be canceled, endorsed, altered, or reissued to effect a change in coverage unless such insurer shall have first given Lender 30 days prior written notice thereof, (iv) shall include a standard mortgagee clause in favor of and in form acceptable to Lender, (v) shall provide for claims to be made on an occurrence basis, except that boiler and machinery coverage may be made on an accident basis, and (vi) shall contain an agreed value clause updated annually (if the amount of coverage under such policy is based upon the replacement cost of the Property). All property damage insurance policies (except for flood and earthquake policies) must automatically reinstate after each loss.

Any blanket insurance policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate "stand-alone" policy insuring only the Property in compliance with the provisions of this Section 5.

Lender shall have the right to hold the policies, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. Not less than five (5) days prior to the expiration date of any insurance policy required hereunder, a certificate of insurance evidencing the renewal of such policy, together with evidence satisfactory to Lender of payment in full of the annual premium therefor, shall be delivered by Borrower to Lender. Not more than forty-five (45) days after to the expiration date of any insurance policy required hereunder, Borrower shall deliver to Lender a renewal insurance policy in form satisfactory to Lender.

If the Property is damaged or destroyed, in whole or in part, by fire or other casualty (a "CASUALTY"), Borrower shall give immediate written notice thereof to Lender and to the insurance carrier. If a Casualty covered by any of the policies of insurance (an "INSURED CASUALTY") occurs where the loss does not exceed \$1,000,000, provided no Event of Default has occurred and is continuing, Borrower may settle and adjust any claim without the prior consent of Lender; provided such adjustment is carried out in a competent and timely manner, and Borrower is hereby authorized to collect and receipt for the insurance proceeds. In the event of an Insured Casualty where the loss equals or exceeds \$1,000,000 (a "SIGNIFICANT CASUALTY"), Borrower may settle and adjust any claim with the prior consent of Lender (which consent shall not be unreasonably withheld or delayed) unless an Event of Default has occurred and is continuing in which case Lender may settle and adjust any claim without the consent of Borrower and agree with the insurer(s) on the amount to be paid on the loss, which settlement and adjustment shall be in Lender's sole and absolute discretion. The proceeds with respect to any Significant Casualty shall be due and payable solely to Lender and held by Lender in the Casualty/Condemnation Subaccount and disbursed in accordance herewith. If Borrower or any party other than Lender is a payee on any check representing insurance proceeds with respect to a Significant Casualty, Borrower shall immediately endorse, and cause all such third parties to endorse, such check payable to the order of Lender. Borrower hereby irrevocably appoints Lender as its attorney-in-fact, coupled with an interest, to endorse such check payable to the order of Lender. Borrower further authorizes Lender, at Lender's option, (a) to hold the balance of such proceeds with respect to any Significant Casualty to be used to reimburse Borrower for the cost of reconstruction or repair of the Property or (b) subject to the immediately following paragraph, to apply such proceeds to the payment of the sums secured by this Instrument whether or not then

due, in any order. The expenses incurred by Lender in the settlement, adjustment and collection of any insurance proceeds shall become part of the Debt and shall be reimbursed by Borrower to Lender upon demand.

Lender shall not exercise Lender's option to apply insurance proceeds to the payment of the sums secured by this Instrument if all of the following conditions are met: (i) no Event of Default has occurred which is then continuing; (ii) Lender determines that there will be sufficient funds to restore and repair the Property to the Pre-existing Condition (as hereinafter defined); (iii) Lender agrees in writing that the rental income of the Property, after restoration and repair of the Property to the Pre-existing Condition, will be sufficient to meet all operating costs and other expenses, payments for reserves and loan repayment obligations (including any obligations under any permitted subordinate financing) relating to the Property and maintain a Debt Service Coverage Ratio of at least 1.25 to 1.0; (iv) Lender determines that restoration and repair of the Property to the Pre-existing Condition will be completed within one year of the date of the loss or casualty to the Property, but in no event later than six months prior to the Maturity Date; (v) less than 30 percent of the total floor area of the improvements has been damaged, destroyed or rendered unusable as a result of such fire or other casualty; (vi) tenant leases demising in the aggregate at least 65% of the total rentable space at the Property in effect as of the date of the occurrence of such fire or other casualty remain in full force and effect during and after the completion of the restoration and repair of the Property; and (vii) Lender is reasonably satisfied that the Property can be restored and repaired as nearly as possible to the condition it was in immediately prior to such casualty and in compliance with all applicable zoning, building and other laws and codes (the "PRE-EXISTING CONDITION"). If Lender elects to make the insurance proceeds available for the restoration and repair of the Property, Borrower agrees that, if at any time during the restoration and repair, the cost of completing such restoration and repair, as determined by Lender, exceeds the undisbursed insurance proceeds, Borrower shall, immediately upon demand by Lender, deposit the amount of such excess with Lender, and Lender shall first disburse such deposit to pay for the costs of such restoration and repair on the same terms and conditions as the insurance proceeds are disbursed.

If the insurance proceeds are held by Lender to reimburse Borrower for the cost of restoration and repair of the Property, then Borrower shall restore the Property to the equivalent of its original condition or such other condition as Lender may approve in writing, and Borrower shall promptly begin such restoration and at all times thereafter diligently prosecute such restoration to completion. Lender may, at Lender's option, condition disbursement of said proceeds on Lender's approval of such plans and specifications of an architect satisfactory to Lender, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments; and satisfaction of liens as Lender may reasonably require. If the insurance proceeds are applied to the payment of the sums secured by this Instrument, any such application of proceeds to principal shall not extend or postpone the due dates of the monthly installments due under the Note, under Section 25(d) hereof, or otherwise under the Loan Documents, or change the amounts of such installments. If the Property is sold at foreclosure or pursuant to power of sale or if Lender acquires title to the Property, Lender shall have all of the right, title and interest of Borrower in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

SECTION 6. PRESERVATION AND MAINTENANCE OF PROPERTY. Borrower (a) shall not commit waste or permit impairment or deterioration of the Property, (b) shall not abandon the Property, (c) shall restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (d) shall keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon in good repair and shall replace fixtures, equipment, machinery and appliances on the Property when necessary to keep such items in good repair, (e) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property, (f) shall provide for management of the Property by Acadia Realty Limited Partnership, or otherwise provide for professional third-party management of the Property by a commercial property manager with substantial experience in managing properties of the applicable kind, and otherwise satisfactory to Lender, pursuant to a contract approved by Lender in writing, unless such requirement shall be waived by Lender in writing, (g) shall generally operate and maintain the Property in a manner to ensure maximum rentals, and (h) shall give notice in writing to Lender of and, unless otherwise directed in writing by Lender, appear in and defend any action or proceeding purporting to affect the Property, the security of this Instrument or the rights or powers of Lender. Neither Borrower nor any tenant or other person shall remove, demolish or alter any improvement now existing or hereafter erected on the Property or any fixture, equipment, machinery or appliance in or on the Property except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind.

SECTION 7. USE OF PROPERTY. Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Property was intended at the time this Instrument was executed. Borrower shall not subdivide the Property or initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent.

SECTION 8. PROTECTION OF LENDER'S SECURITY. If Borrower fails to perform the covenants and agreements contained in this Instrument, or if any action or proceeding is commenced which affects the Property or title thereto or the interest of Lender therein, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, Lender, at Lender's option, may make such appearances, disburse such sums and take such action as Lender deems necessary, in its sole discretion, to protect Lender's interest, including, but not limited to, (i) disbursement of attorney's fees, (ii) entry upon the Property to make repairs, (iii) procurement of satisfactory insurance as provided herein, (iv) the payment of any Taxes then due and payable, and (v) payment of any other amounts contemplated in any of the Loan Documents. Any amounts disbursed by Lender pursuant to this Section, with interest thereon, shall become additional indebtedness of Borrower secured by this Instrument. Unless Borrower and Lender agree to other terms of payment, such amounts shall be immediately due and payable upon demand and shall bear interest from the date of disbursement at the rate then applicable to principal under the Note unless collection from Borrower of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected



from Borrower under applicable law. Nothing contained in this Section or elsewhere in any of the Loan Documents shall require Lender to incur any expense or take any action hereunder.

SECTION 9. INSPECTION. Lender may make or cause to be made reasonable entries upon and inspections of the Property including, but not limited to, Phase I and/or Phase II environmental audits and inspections.

SECTION 10. BOOKS AND RECORDS. Borrower shall keep and maintain at all times at Borrower's address stated herein, or such other place as Lender may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Lender.

Borrower shall furnish to Lender annually, within 120 days after each calendar year, a complete copy of Borrower's annual financial statements prepared as a compilation (without a review and without disclosures) by a "big four" accounting firm or another independent certified public accountant reasonably acceptable to Lender, each in accordance with GAAP or a federal income tax basis of accounting, in either case, consistently applied, and containing balance sheets and statements of profit and loss for Borrower and the Property in such detail as Lender may reasonably request. Each such statement (x) shall be in form and substance satisfactory to Lender, (y) shall set forth the financial condition and the income and expenses for the Property for the immediately preceding calendar year, including statements of annual Net Operating Income as well as (1) a list of commercial tenants, if any, occupying more than twenty percent of the rentable space of the Property, (2) a breakdown showing (a) the year in which each commercial Lease then in effect expires, and (b) the percentage of rentable space covered by such commercial Lease as stated in such Lease, and (z) shall be accompanied by an Officer's Certificate (as defined in Section 25 hereof) certifying (1) that such statement is true, correct, complete and accurate and presents fairly the financial condition of the Property and has been prepared in accordance with GAAP or a federal income tax basis of accounting, in either case, consistently applied, and (2) whether there exists an Event of Default, and if so, the nature thereof, the period of time it has existed and the action then being taken to remedy it.

On or before the 45th day after the end of each three-month fiscal quarter of Borrower (which may include months for which reports shall have been submitted under the prior sentence), Borrower shall deliver to Lender management prepared financial statements for such quarter. Each set of such financial statements (i) shall consist of an operating statement of income and expenses of the Property, (ii) shall be in form and detail reasonably satisfactory to Lender and (iii) shall be accompanied by an Officer's Certificate certifying that the applicable statements are true, complete, and accurate and do not omit to state any material information. All of such financial statements shall provide information for the applicable month or quarter and on a year-to-date basis (and at the end of the fourth quarter, for the year).

Borrower shall furnish, together with the foregoing financial statements and at any other time upon Lender's request, a rent schedule for the Property, certified by Borrower, showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable and the rent paid.

In addition to the above delivery of financial statements and rent schedule, Borrower shall deliver to Lender updated versions of such financial statements at any other time upon Lender's request, including operating statements of income and expenses of the Property. Borrower shall also furnish to Lender, during any Cash Management Period, the Annual Budget in accordance with Section 28(h) of this Instrument. Further, Borrower shall provide to Lender, as soon as the same are available to Borrower, all financial statements and sales reports received from any tenant at the Property.

SECTION 11. CONDEMNATION. Borrower 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, Borrower, regardless of whether an Award is available, shall promptly proceed to restore, repair, replace or rebuild the 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. If a Condemnation occurs where the award or payment in respect thereof (an "AWARD") does not exceed \$500,000 or which results in the taking of 5% or less of the Property, provided no Event of Default has occurred and is continuing, Borrower may make any compromise, adjustment or settlement in connection with such Condemnation without the prior consent of Lender; provided such adjustment is carried out in a competent and timely manner, and Borrower is hereby authorized to collect and receipt for the Award. In the event of a Condemnation where the Award is in excess of \$500,000 or which results in the taking of more than 5% of the Property, Lender is hereby irrevocably appointed as Borrower's attorney-in-fact, coupled with an interest, with exclusive power to collect, receive and retain any Award and, so long as no Event of Default is continuing, with Borrower's consent (which consent shall not be unreasonably withheld or delayed) to make any compromise, adjustment or settlement in connection with such Condemnation. Borrower shall cause any Award that is payable to Borrower to be paid directly to Lender. Lender shall hold such Award in the Casualty/Condemnation Subaccount and disburse such Award in accordance with the terms hereof.

Borrower authorizes Lender to apply such Award, after the deduction of Lender's expenses incurred in the collection of such amounts, at Lender's option, to restoration or repair of the Property or to payment of the sums secured by this Instrument, whether or not then due, in the order determined by Lender, with the balance, if any, to Borrower. Unless Borrower and Lender otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly installments due hereunder or under any of the Loan Documents or change the amount of such installments. Borrower agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Lender may require.

SECTION 12. BORROWER AND LIEN NOT RELEASED. From time to time, Lender may, at Lender's option, without giving notice to or obtaining the consent of Borrower, Borrower's successors or assigns or of any junior lienholder or guarantors, without liability on Lender's part and notwithstanding Borrower's breach of any covenant or agreement of Borrower in this Instrument, extend the time for payment of said indebtedness or any part thereof, reduce the payments thereon, release anyone liable on any of said indebtedness, accept a renewal note or

notes therefor, modify the terms and time of payment of said indebtedness, release from the lien of this Instrument any part of the Property, take or release other or additional security, reconvey any part of the Property, consent to any map or plan of the Property, consent to the granting of any easement, join in any extension or subordination agreement, and agree in writing with Borrower to modify the rate of interest or period of amortization of the Note or change the amount of the monthly installments payable thereunder. Any actions taken by Lender pursuant to the terms of this Section shall not affect the obligation of Borrower or Borrower's successors or assigns to pay the sums secured by this Instrument and to observe the covenants of Borrower contained herein, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the indebtedness secured hereby, and shall not affect the lien or priority of lien hereof on the Property. Borrower shall pay Lender a reasonable service charge, together with such title insurance premiums and attorney's fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

SECTION 13. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT. This Instrument is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified above as part of the Collateral which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and Borrower hereby grants Lender a security interest in said items. Borrower agrees that Lender may file this Instrument, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Collateral. Any reproduction of this Instrument or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Instrument in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require. Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interest in said items, including replacements and additions thereto. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Instrument, including the covenants to pay when due all sums secured by this Instrument, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided herein or in any of the Loan Documents, or pursuant to any applicable law as to such items. In exercising any of said remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Collateral separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Uniform Commercial Code or of the remedies provided herein or in any of the Loan Documents. For purposes of the Security Agreement and the fixture filing, the Borrower shall constitute the "DEBTOR" and shall have the address specified in the first paragraph of this Instrument and the Lender shall constitute the "SECURITY PARTY" and shall have the address specified in the first paragraph of this Instrument.

SECTION 14. LEASES OF THE PROPERTY. Borrower shall comply with and observe Borrower's obligations as landlord under all leases of the Property or any part thereof. Borrower will not lease any portion of the Property for any use contrary to the existing character

of the Property except with the prior written approval of Lender. Borrower may execute or modify, without Lender's prior written consent, any lease of space at the Property now existing or hereafter made which affects less than 20,000 square feet of space at the Property and provided the term of such lease is less than five years (an "EXEMPT LEASE") provided such lease:

- (i) is on a standard lease form pre-approved by Lender;
- (ii) is at a net effective rent (after taking into account any free rent, construction allowances or other concessions granted by landlord) no less than the current actual rent or fair market rent then prevailing for similar properties and leases in the market area;
- (iii) contains rent or other concessions which are legally required or are otherwise customary and reasonable for similar properties and leases in the market area;
- (iv) represents a bona fide arm's length transaction;
- (v) does not permit any use which would violate any provision of any existing lease or is otherwise inconsistent with the uses and quality of existing tenants;
- (vi) is provided to Lender within ten days after execution;
- (vii) as modified or amended does not become a lease which fails to satisfy the criteria for an Exempt Lease pursuant to this Section;
- (viii) as modified or amended does not materially modify the financial terms of Borrower's standard form of lease or materially reduce the rights and remedies of the Borrower or Lender under said standard lease;
- (ix) is subordinate by its terms to this Instrument provided that Lender shall have agreed to provide such tenant with a non-disturbance agreement in form and substance reasonably acceptable to Lender; provides that the tenant thereunder is required to attorn to Lender, such attornment to be effective upon Lender's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Lender may from time to time request; that the attornment of the tenant shall not be terminated by foreclosure; that in no event shall Lender, as holder of this Instrument or as successor landlord, be liable to the tenant for any act or omission of any prior landlord or for any liability or obligation of any prior landlord occurring prior to the date that Lender or any subsequent owner acquire title to the Property; and that Lender may, at Lender's option, accept or reject such attornment.

Borrower shall be required to obtain Lender's consent, which shall not be unreasonably withheld, for the creation of any lease and subleases at the Property other than an Exempt Lease. The request for approval of each such proposed lease shall be made to Lender in writing and Borrower shall furnish to Lender (and any loan servicer specified from time to time by Lender): (i) such biographical and financial information about the proposed tenant as Lender 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). Lender's failure to approve or

disapprove any such lease or sublease within ten (10) Business Days after Lender's receipt of such request shall be deemed to constitute Lender's approval thereof.

As to all leases other than Exempt Leases, Borrower shall not, without the prior written consent of Lender (which shall not be unreasonably withheld), (i) cancel, amend or modify any such lease, (ii) approve any assignment, sublease or underlease of any such lease, or (iii) cancel or modify any guaranty, or release any security deposit or letter of credit constituting security pertaining to any such lease. Lender's failure to approve or disapprove any of the matters described in the preceding sentence within ten (10) Business Days after Lender's receipt of such request shall be deemed to constitute Lender's approval thereof.

Borrower shall promptly send Lender copies of any notices of default received from the tenant under any lease; and will enforce (short of terminating such lease) the performance by the tenant of the tenant's obligations under any lease.

Except for security deposits, no lease, whether an Exempt Lease or otherwise, shall provide for payment of rent more than one month in advance, and Borrower shall not under any circumstances collect any such rent more than one month in advance.

Borrower, at Lender's request, shall furnish Lender with executed copies of all leases hereafter made of all or any part of the Property, and all leases hereafter entered into (other than Exempt Leases) will be in form and substance subject to the approval of Lender. All leases of the Property or a separate agreement in recordable form and substance satisfactory to Lender shall specifically provide that such leases are subordinate to this Instrument; that the tenant attorns to Lender, such attornment to be effective upon Lender's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Lender may from time to time request; that the attornment of the tenant shall not be terminated by foreclosure; that in no event shall Lender, as holder of this Instrument or as successor landlord, be liable to the tenant for any act or omission of any prior landlord or for any liability or obligation of any prior landlord occurring prior to the date that Lender or any subsequent owner acquire title to the Property; and that Lender may, at Lender's option, accept or reject such attornment. Notwithstanding the foregoing, Lender agrees to enter into a non-disturbance agreement with any tenant at the Property, which agreement shall be in form and substance and on terms and conditions reasonably acceptable to Lender. Except as otherwise provided in this Section, Borrower shall not, without Lender's written consent, (1) execute, modify, surrender or terminate, either orally or in writing, any lease at the Property now existing or hereafter made of all or any part of the Property, (2) permit an assignment or sublease of a lease, or (3) request or consent to the subordination of any lease of all or any part of the Property to any lien subordinate to this Instrument. Notwithstanding the foregoing and provided that no Event of Default is continuing, , Borrower may, without Lender's consent, terminate a Lease which covers less than 22,000 rentable square feet provided that (i) the tenant under such Lease is in default under such Lease and (ii) Borrower shall give Lender not less than thirty (30) days prior written notice specifying the date on which Borrower will terminate such Lease. If Borrower becomes aware that any tenant proposes to do, or is doing, any act or thing which may give rise to any right of set-off against rent, Borrower shall (i) take such steps as shall be reasonably calculated to prevent the accrual of any right to a set-off against rent, (ii) notify Lender thereof and of the amount of said set-offs, and (iii) within ten days after such accrual, reimburse the tenant who shall have

acquired such right to set-off or take such other steps as shall effectively discharge such set-off and as shall assure that rents thereafter due shall continue to be payable without set-off or deduction.

Upon Lender's request, Borrower shall absolutely assign to Lender, by written instrument satisfactory to Lender, all leases now existing or hereafter made of all or any part of the Property and all security deposits made by tenants in connection with such leases of the Property. Upon assignment by Borrower to Lender of any leases of the Property, Lender shall have all of the rights and powers possessed by Borrower prior to such assignment and Lender shall have the right to modify, extend or terminate such existing leases and to execute new leases, in Lender's sole discretion.

SECTION 15. TRANSFERS OF THE PROPERTY OR BENEFICIAL INTERESTS IN BORROWER.

(a) As used in this Section 15 and elsewhere in this Instrument, the following capitalized terms shall have the respective meanings set forth below:

(i) "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.

(ii) "KEY PRINCIPALS": Acadia Realty Limited Partnership, a Delaware limited partnership, and Acadia Realty Trust, a Maryland real estate investment trust.

(iii) "PERMITTED ENCUMBRANCES": (i) the liens created by the Loan Documents, (ii) all liens and other matters disclosed in Lender's title insurance policy, (iii) liens, if any, for Taxes not yet due and payable and not delinquent and (iv) any workers', mechanics' or other similar liens on the Property provided that any such Lien is bonded or discharged within 30 days after Borrower first receives notice of such lien and (v) such other title and survey exceptions as Lender approves in writing in Lender's discretion.

(iv) "PERMITTED TRANSFERS": (i) a Lease entered into in accordance with the Loan Documents, (ii) a Permitted Encumbrance, (iii) a Transfer and Assumption, (iv) provided that no Event of Default shall then exist, (1) a Transfer of an indirect interest in Borrower other than the membership interest held by Acadia Realty Limited Partnership (the "SOLE MEMBER"), (2) a Transfer of publicly traded shares in Acadia Realty Trust or (3) a Transfer of an interest in the Sole Member to any Person, in either case, provided that (A) such Transfer shall not (x) cause the transferee (other than any Key Principal), together with its Affiliates, to acquire Control of Borrower or the Sole Member or to increase its direct or indirect interest in Borrower or in the Sole Member to an amount which equals or exceeds 49% or (y) result in Borrower or the Sole Member no longer being Controlled by any Key Principal, (B) after giving effect to such Transfer, Key Principals (in the aggregate) shall continue to own at least 51% of all equity interests (direct or indirect) in Borrower, (C) Borrower shall give Lender notice of such Transfer together with copies of all instruments effecting such Transfer not less than 10 days prior to the date of such Transfer, and (D) the legal and financial structure of Borrower and its

members and the single purpose nature and bankruptcy remoteness of Borrower and its members after such Transfer, shall satisfy Lender's then current applicable underwriting criteria and requirements, (v) provided that no Event of Default shall then exist, a Transfer of a direct or indirect interest in Borrower or Sole Member that occurs by devise or bequest or by operation of law upon the death of a natural person that was the holder of such interest to a member of the immediate family of such interest holder or a trust established for the benefit of such immediate family member, provided that (A) no such Transfer shall result in a change of the day to day operations of the Property, (B) Borrower shall give Lender notice of such Transfer together with copies of all instruments effecting such Transfer not less than 20 days after the date of such Transfer, (C) the legal and financial structure of Borrower and Sole Member, and the single purpose nature and bankruptcy remoteness of Borrower and Sole Member after such Transfer, shall satisfy Lender's then current applicable underwriting criteria and requirements, (D) if any such Transfer would result in a change of Control of Borrower or Sole Member and occurs prior to the occurrence of a Secondary Market Transaction, such Transfer is approved by Lender in writing within 30 Business Days after any such Transfer, and (E) if any such Transfer would result in a change of Control of Borrower or Sole Member and occurs after the occurrence of a Secondary Market Transaction, Borrower, at Borrower's sole cost and expense, shall, within 30 Business Days after any such Transfer, (a) deliver (or cause to be delivered) if required by Lender or any Rating Agency a Rating Comfort Letter to Lender, (b) obtain the prior written consent of Lender which shall not be unreasonably withheld and (c) reimburse Lender for all reasonable expenses incurred by Lender in connection with such Transfer, or (vi) provided that no Event of Default shall then exist, a Transfer of a direct or indirect interest in Borrower or Sole Member to any Person (other than any Key Principal) (the "NEW SPONSOR"), pursuant to which, after giving effect to such Transfer, the New Sponsor, together with its Affiliates, acquires Control of Borrower or the Sole Member or holds a direct or indirect interest in Borrower or in Sole Member in an amount equaling or exceeding 49% provided that (A) Lender consents to such Transfer, which consent shall not be unreasonably withheld, (B) Borrower delivers to Lender evidence reasonably satisfactory to Lender showing that, after giving effect to such Transfer, Borrower and Sole Member remain in full compliance with Section 29 hereof, as the provisions thereof may be modified by Lender taking into account the ownership structure of New Sponsor and its Affiliates, (C) if the Loan (as defined in Section 32(e) hereof), by itself or together with other loans, has been the subject of a Secondary Market Transaction, then Lender shall have received a Rating Comfort Letter from the applicable Rating Agencies, (D) if the Loan has not been the subject of a Secondary Market Transaction, then Lender shall have determined in its reasonable discretion (taking into consideration such factors as Lender may determine, including the attributes of the loan pool in which the Loan might reasonably be expected to be securitized) that no rating for any securities that would be issued in connection with such securitization will be diminished, qualified, or withheld by reason of such Transfer to New Sponsor, (E) the identity, experience, and financial condition of the New Sponsor shall be satisfactory to Lender in its reasonable discretion, (F) a replacement guarantor(s) (the identity, experience and financial condition of which shall be satisfactory to Lender in its reasonable discretion) shall execute and deliver to Lender any and all documents reasonably required by Lender, in form and substance reasonably required by Lender, in Lender's sole discretion, after which Guarantor shall be released from all liabilities and obligations under the Guaranty, and (G) counsel to New Sponsor and replacement guarantor(s) shall deliver to Lender opinions in form and substance satisfactory to Lender as to such matters as Lender shall reasonably require,

which may include opinions as to substantially the same matters as were required in connection with the origination of the Loan.

(v) "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.

(vi) "RATING AGENCY": each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service, Inc. ("MOODY'S"), and Fitch IBCA Duff & Phelps ("FITCH") or any other nationally-recognized statistical rating organization to the extent any of the foregoing have been engaged by Lender or its designee in connection with or in anticipation of any Secondary Market Transaction.

(vii) "RATING COMFORT LETTER": a letter issued by each of the applicable Rating Agencies which confirms that the taking of the action referenced to therein will not result in any qualification, withdrawal or downgrading of any existing ratings of Securities created in a Secondary Market Transaction.

(viii) "SECONDARY MARKET TRANSACTION": any of (i) the sale, assignment, or other transfer of all or any portion of the loan evidenced by the Note and this Instrument or the Loan Documents or any interest therein to one or more investors, (ii) the sale, assignment, or other transfer of one or more participation interests in the loan evidenced by the Note and this Instrument or Loan Documents to one or more investors, or (iii) the transfer or deposit of all or any portion of the loan evidenced by the Note and this Instrument or Loan Documents to or with one or more trusts or other entities which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or the right to receive income or proceeds therefrom.

(ix) "TRANSFER": any sale, conveyance, transfer, lease or assignment, or the entry into any agreement to sell, convey, transfer, lease or assign, whether by law or otherwise, of, on, in or affecting (i) all or part of the Property (including any legal or beneficial direct or indirect interest therein), (ii) any direct or indirect interest in Borrower (including any profit interest), or (iii) any direct or indirect interest in the Sole Member.

(x) "TRANSFER AND ASSUMPTION": is defined in paragraph (c) of this Section 15.

(b) Borrower shall not directly or indirectly make, suffer or permit the occurrence of any Transfer other than a Permitted Transfer.

(c) Notwithstanding the foregoing, Borrower shall have a one-time right to Transfer the Property to another party (the "TRANSFeree BORROWER") and have the Transferee Borrower assume all of Borrower's obligations under the Loan Documents, and have replacement guarantors and indemnitors assume all of the obligations of the indemnitors and guarantors of the Loan Documents (collectively, a "TRANSFER AND ASSUMPTION"). Borrower may make a written application to Lender for Lender's consent to the Transfer and Assumption, subject to the conditions set forth in subparagraphs (i) and (ii) of this paragraph (c). Together



with such written application, Borrower will pay to Lender the reasonable review fee then required by Lender. Borrower also shall pay on demand all of the reasonable costs and expenses incurred by Lender, including reasonable attorneys' fees and expenses, and including the fees and expenses of Rating Agencies and other outside entities, in connection with considering any proposed Transfer and Assumption, whether or not the same is permitted or occurs.

(i) Lender's consent, which may be withheld in Lender's reasonable discretion, to a Transfer and Assumption shall be subject to the following conditions:

(1) No Event of Default has occurred and is continuing;

(2) Borrower has submitted to Lender true, correct and complete copies of any and all information and documents of any kind reasonably requested by Lender concerning the Property, Transferee Borrower, replacement guarantors and indemnitors and Borrower;

(3) Evidence reasonably satisfactory to Lender has been provided showing that the Transferee Borrower and such of its Affiliates as shall be designated by Lender comply and will comply with Section 29 hereof, as those provisions may be modified by Lender taking into account the ownership structure of Transferee Borrower and its Affiliates;

(4) If the Loan (as defined in Section 32(e) hereof), by itself or together with other loans, has been the subject of a Secondary Market Transaction, then Lender shall have received a Rating Comfort Letter from the applicable Rating Agencies;

(5) If the Loan has not been the subject of a Secondary Market Transaction, then Lender shall have determined in its reasonable discretion (taking into consideration such factors as Lender may determine, including the attributes of the loan pool in which the Loan might reasonably be expected to be securitized) that no rating for any securities that would be issued in connection with such securitization will be diminished, qualified, or withheld by reason of the Transfer and Assumption;

(6) Borrower shall have paid all of Lender's reasonable costs and expenses in connection with considering the Transfer and Assumption, and shall have paid the amount reasonably requested by Lender as a deposit against Lender's costs and expenses in connection with effecting the Transfer and Assumption;

(7) Borrower, the Transferee Borrower, and the replacement guarantors and indemnitors shall have indicated in writing in form and substance reasonably satisfactory to Lender their readiness and ability to satisfy the conditions set forth in subsection (ii) below; and

(8) The identity, experience, and financial condition of the Transferee Borrower and the replacement guarantors and indemnitors shall be satisfactory to Lender in its reasonable discretion.

(ii) If Lender consents to the Transfer and Assumption, the Transferee Borrower and/or Borrower as the case may be, shall immediately deliver the following to Lender:

(1) Borrower shall deliver to Lender an assumption fee in the amount of 1.00% of the then unpaid Principal; provided that, notwithstanding the foregoing, Borrower shall deliver to Lender an assumption fee in the amount of .25% in the event that Borrower makes a Transfer to (i) Acadia Strategic Opportunity Fund, L.P or (ii) Acadia Strategic Opportunity Fund II, LLC;

(2) Borrower, Transferee Borrower and the original and replacement guarantors and indemnitors shall execute and deliver to Lender any and all documents reasonably required by Lender, in form and substance reasonably required by Lender, in Lender's sole discretion;

(3) Counsel to the Transferee Borrower and replacement guarantors and indemnitors shall deliver to Lender opinions in form and substance satisfactory to Lender as to such matters as Lender shall reasonably require, which may include opinions as to substantially the same matters as were required in connection with the origination of the Loan;

(4) Borrower shall cause to be delivered to Lender, an endorsement (relating to the change in the identity of the vestee and execution and delivery of the Transfer and Assumption documents) to Lender's title insurance policy in form and substance acceptable to Lender, in Lender's reasonable discretion (the "ENDORSEMENT"); and

(5) Borrower shall deliver to Lender a payment in the amount of all remaining unpaid costs incurred by Lender in connection with the Transfer and Assumption, including but not limited to, Lender's reasonable attorneys fees and expenses, all recording fees, and all fees payable to the title company for the delivery to Lender of the Endorsement.

SECTION 16. FURTHER ENCUMBRANCES. Except only for the liens and security interests in favor of Lender under this Instrument and the other Loan Documents, without Lender's prior written consent, which Lender may withhold in its sole discretion, Borrower shall not execute, cause, allow or suffer any mortgage, deed of trust, deed to secure debt, assignment of leases or rents, statutory lien, mechanic's lien or other similar involuntary lien (with respect to any such statutory lien, mechanic's lien or other similar involuntary lien, unless such lien is bonded or discharged within 30 days after Borrower first receives notice of such lien), irrespective of its priority, to encumber all or any portion of the Property or the leases, rents or profits thereof, or any interest in any of the foregoing.

SECTION 17. GENERAL INDEMNITY. In addition to any other indemnification obligation set forth elsewhere in the Loan Documents, Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Lender and its shareholders, directors, officers, agents, employees, contractors, attorneys, servicers, and successors and assigns (the "INDEMNIFIED PARTIES") from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, or punitive damages, of whatever kind or nature (including, but not limited to attorneys' fees and other costs of defense) (the "LOSSES") imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following (but excluding Losses arising out of Lender's gross negligence or willful misconduct): (a) ownership of this Instrument or any of the Loan Documents, or ownership of the Property or any interest therein, or demand for or receipt of any Rents; (b) any amendment to, or restructuring of, any of the Loan Documents or the obligations evidenced or secured thereby; (c) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of any of the Loan Documents, whether or not suit is filed in connection with same, or in connection with Borrower, any guarantor or indemnitor and/or any member, partner, joint venturer or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (d) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (e) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (f) any failure on the part of Borrower to perform or be in compliance with any of the terms of any of the Loan Documents; (g) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (h) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Instrument is made; (i) any failure of the Property to be in compliance with any applicable laws; (j) the enforcement by any Indemnified Party of the provisions of this Section; (k) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (l) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the loan evidenced by the Note; or (m) any misrepresentation made by Borrower in any of the Loan Documents. Any amounts payable to any Indemnified Party by reason of the application of this Section shall become immediately due and payable upon demand and shall bear interest at rate then applicable to principal outstanding under the Note.

SECTION 18. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION. As part of the consideration for the indebtedness evidenced by the Note, Borrower hereby absolutely and unconditionally assigns and transfers to Lender all the rents and revenues of the Property, including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property,

regardless of to whom the rents and revenues of the Property are payable. Borrower hereby authorizes Lender or Lender's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such rents to Lender or Lender's agents; provided, however, that prior to written notice given by Lender to Borrower of an Event of Default, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower, to apply the rents and revenues so collected to the sums secured by this Instrument in any order determined by Lender, so long as no such Event of Default has occurred, to the account of Borrower, it being intended by Borrower and Lender that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery of written notice by Lender to Borrower of an Event of Default, and without the necessity of Lender entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Lender shall immediately be entitled to possession of all rents and revenues of the Property as specified in this Section as the same become due and payable, including, but not limited to, rents then due and unpaid, and all such rents shall immediately upon delivery of such notice and during the continuance of such Event(s) of Default be held by Borrower as trustee for the benefit of Lender only; provided, however, that the written notice by Lender to Borrower of such Event(s) of Default shall contain a statement that Lender exercises its rights to such rents. Borrower agrees that commencing upon delivery of such written notice of Borrower's breach by Lender to Borrower, each tenant of the Property shall make such rents payable to and pay such rents to Lender or Lender's agents on Lender's written demand to any tenant therefor, delivered to such tenant personally, by mail or by delivering such demand to the tenant at its location in the Property, without any liability on the part of said tenant to inquire further as to the existence of a default by Borrower. Borrower hereby covenants that Borrower has not executed any prior assignment of said rents, that Borrower has not performed, and will not perform, any acts or has not executed, and will not execute, any instrument which would prevent Lender from exercising its rights under this Section, and that at the time of execution of this Instrument there has been no anticipation or prepayment of any of the rents of the Property for more than one month prior to the due dates of such rents. Borrower covenants that Borrower will not hereafter collect or accept payment of any rents of the Property more than one month prior to the due dates of such rents. Borrower further covenants that Borrower will execute and deliver to Lender such further assignments of rents and revenues of the Property as Lender may from time to time request.

Upon an Event of Default, or upon Borrower's breach of any material covenant of Borrower as landlord or lessor under any lease beyond applicable notice and cure periods, Lender shall be entitled to the appointment of a receiver for the Property, without notice to Borrower or any other person or entity and Lender may in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation or modification of leases, the collection of all rents and revenues of the Property, the enforcement or fulfillment of any terms, condition or provision of any lease, the making of repairs to the Property and the execution or termination of contracts providing for the management or maintenance of the Property, all on such terms as are deemed best to protect the security of this Instrument. In the event Lender elects to seek the appointment of a receiver for the Property upon Borrower's breach of any covenant or agreement of Borrower in this Instrument, Borrower

hereby expressly consents to the appointment of such receiver. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

All rents and revenues collected subsequent to delivery of written notice by Lender to Borrower that an Event of Default has occurred and during the continuance of such Event of Default shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the rents, including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, Taxes, and the costs of discharging any obligation or liability of Borrower as lessor or landlord of the Property and then to the sums secured by this Instrument. Lender or the receiver shall have access to the books and records used in the operation and maintenance of the Property and shall be liable to account only for those rents actually received. Other than for Lender's gross negligence or willful misconduct under this Section, Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Property by reason of anything done or left undone by Lender under this Section.

If the rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the rents, any funds expended by Lender for such purposes shall become indebtedness of Borrower to Lender secured by this Instrument pursuant to Section 8 hereof. Unless Lender and Borrower agree in writing to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof and shall bear interest from the date of disbursement at the rate stated in the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law.

Any entering upon and taking and maintaining of control of the Property by Lender or the receiver and any application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Lender under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Instrument ceases to secure indebtedness held by Lender.

SECTION 19. DEFAULTS; ACCELERATION; REMEDIES. Each of the following shall constitute an "EVENT OF DEFAULT" under this Instrument:

(a) Any failure of Borrower to pay any money as and when due under the Note or under any of the other Loan Documents;

(b) Any breach of Sections 5, 15, 16, or 29 of this Instrument, or the Environmental Indemnity Agreement;

(c) Other than as specified in items (a) or (b) above, any breach of any covenant, representation, warranty, or other obligation of Borrower or any guarantor or indemnitor under the Note, this Instrument, or any of the other Loan Documents, which breach is not completely cured on or before the 30th day after notice of the same from Lender to Borrower; provided however that if the default is capable of cure but with diligence cannot be cured within such period of 30 days, and if Borrower shall have given Lender evidence satisfactory to Lender that Borrower has commenced the cure within 10 days after the first notice

of default and at all times after such commencement has pursued such cure diligently, then such period shall be extended for so long as is reasonably necessary, but in no event beyond the 60th day after the original notice of default.

If Lender shall have the right to exercise any of its remedies by reason of any default as to which there is no grace period or by reason of expiration of any grace period without cure of any applicable default, then there shall be no requirement of notice and time to cure for any other or subsequent default.

Upon the occurrence and during the continuance of any Event of Default, Lender may, at Lender's option, declare all of the sums secured by this Instrument to be immediately due and payable without further demand, and may exercise any and all remedies permitted hereunder, under any of the Loan Documents, or pursuant to applicable law. Without limitation of the foregoing, Lender may invoke the power of sale granted herein. Borrower acknowledges that the power of sale herein granted may be exercised by Lender without prior judicial hearing. Borrower has the right to bring an action to assert the non-existence of a breach or any other defense of Borrower to acceleration and sale. Lender shall be entitled to collect from Borrower all costs and expenses incurred in pursuing such remedies, including, but not limited to, reasonable attorney's fees and costs of environmental reports, appraisals, documentary evidence, abstracts, and title reports.

Any deed delivered to the purchaser at any sale pursuant hereto may be without any covenant or warranty, expressed or implied. The recitals in the deed shall be prima facie evidence of the truth of the statements made therein. The proceeds of the sale shall be applied in the following order: (a) to all costs and expenses of the sale, including, but not limited to, fees for any foreclosure services, attorney's fees and costs of title evidence; (b) to all sums secured by this Instrument in such order as Lender, in Lender's sole discretion, directs; and (c) the excess, if any, to the person or persons legally entitled thereto.

**SECTION 20. ACCELERATION IN CASE OF BORROWER'S INSOLVENCY.** If Borrower shall voluntarily file a petition under Title 11 of the U.S. Code (the "ACT"), as such Act may from time to time be amended, or under any similar or successor Federal statute relating to bankruptcy, insolvency, arrangements or reorganizations, or under any state bankruptcy or insolvency act, or file an answer in any involuntary proceeding admitting insolvency or inability to pay debts, or if Borrower shall fail to obtain a vacation of involuntary proceedings brought for the reorganization, dissolution or liquidation of Borrower, within 120 days of the filing of such involuntary proceeding, or if Borrower shall be adjudged a bankrupt, or if a trustee or receiver shall be appointed for Borrower or Borrower's property, or if the Property shall become subject to the jurisdiction of a Federal bankruptcy court or similar state court, or if Borrower shall make an assignment for the benefit of Borrower's creditors, or if there is an attachment, execution or other judicial seizure of any portion of Borrower's assets and such seizure is not discharged within 10 days, then Lender may, at Lender's option, declare all of the sums secured by this Instrument to be immediately due and payable without prior notice to Borrower, and Lender may invoke any remedies permitted or provided for herein or in any of the Loan Documents or pursuant to applicable law. Any attorney's fees and other expenses incurred by Lender in connection with Borrower's bankruptcy or any of the other aforesaid events shall be additional indebtedness of Borrower secured by this Instrument pursuant to Section 8 hereof.

SECTION 21. REMEDIES CUMULATIVE. Each remedy provided in this Instrument is distinct and cumulative to all other rights or remedies under this Instrument or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

SECTION 22. WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Instrument or to any action brought to enforce the Note or any other obligation secured by this Instrument.

SECTION 23. WAIVER OF MARSHALLING. Notwithstanding the existence of any other security interest in the Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Lender shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Borrower, any party who consents to this Instrument and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

SECTION 24. RELEASE. Upon payment of all sums secured by this Instrument, Lender shall release this Instrument. Borrower shall pay Lender \$100 for the release of this Instrument.

SECTION 25. CASH MANAGEMENT ARRANGEMENTS.

(a) As used in this Section 25 and elsewhere in this Instrument and the other Loan Documents, the following capitalized terms shall have the respective meanings set forth below:

"ALTERNATIVE ESCROW AMOUNT": on the date hereof, an amount equal to \$16,003.86, which represents an amount estimated by Lender as being necessary for at least one quarterly payment of insurance premiums that Lender estimates will be payable for the purchase of a separate "stand-alone" policy providing the coverage afforded by the insurance policies required under this Instrument upon the expiration thereof. The Alternative Escrow Amount is subject to change from time to time based upon any actual increases, as determined by Lender in its reasonable discretion, after the date hereof in the amount of such insurance premiums.

"APPROVED CAPITAL EXPENSES": Capital Expenses incurred by Borrower; provided, that, during a Cash Management Period, such Capital Expenses shall either be (i) included in the Approved Capital Budget (as defined in Section 28(h) hereof) for the current calendar month or (ii) approved by Lender.

"APPROVED LEASING EXPENSES": actual out-of-pocket expenses incurred by Borrower and payable to third parties (including Affiliates of Borrower or Guarantor, provided that, such expenses payable to Affiliates of Borrower or Guarantor shall satisfy the conditions set forth below) in leasing space at the Property pursuant to Leases entered into in accordance with

the Loan Documents, including brokerage commissions and tenant improvements, which expenses (i) are (A) specifically approved by Lender in connection with approving the applicable Lease, (B) incurred in the ordinary course of business and on market terms and conditions in connection with Leases which do not require Lender's approval under the Loan Documents, or (C) otherwise approved by Lender, which approval shall not be unreasonably withheld or delayed, and (ii) are substantiated by executed Lease documents and brokerage agreements.

"APPROVED OPERATING EXPENSES": during a Cash Management Period, operating expenses incurred by Borrower which (i) are included in the Approved Operating Budget (as defined in Section 28(h) hereof) for the current calendar month, (ii) are for real estate taxes, insurance premiums, electric, gas, oil, water, sewer or other utility service to the Property or (iii) have been approved by Lender.

"AVAILABLE CASH": as of each Payment Date during the continuance of Cash Management Period, the amount of Rents, if any, remaining in the Deposit Account after the application of all of the payments required under clauses (i) through (vi) of paragraph (1) of this Section 25.

"BUSINESS DAY": any day other than a Saturday, Sunday or any day on which commercial banks in New York, New York are authorized or required to close.

"CALCULATION DATE": the last day of each calendar quarter.

"CASH MANAGEMENT PERIOD": shall commence upon Lender giving notice to the Clearing Bank of the occurrence of any of the following: (i) the Maturity Date, (ii) an Event of Default, (iii) if, as of any Calculation Date, the Debt Service Coverage Ratio is less than 1.10:1, or (iv) the commencement of a Rollover Sweep Period; and shall end upon Lender giving notice to the Clearing Bank that the sweeping of funds into the Deposit Account may cease, which notice Lender shall only be required to give if (1) the Loan and all other obligations under the Loan Documents have been repaid in full or (2) the Maturity Date has not occurred and (A) with respect for the matters described in clause (ii) above, such Event of Default has been cured and no other Event of Default has occurred and is continuing or (B) with respect to the matter described in clause (iii) above, Lender has determined that the Property has achieved a Debt Service Coverage Ratio of at least 1.10:1 for two consecutive Calculation Dates or (C) with respect to the matter described in clause (iv) above, the subject Rollover Sweep Period has ended.

"CLEARING ACCOUNT": the account maintained by Borrower at the Clearing Bank as more fully described in the Clearing Account Agreement.

"DEBT": the unpaid Principal, all interest accrued and unpaid thereon, any Prepayment Consideration (as defined in the Note) and all other sums due to Lender in respect of the loan evidenced by the Note and this Instrument or under any Loan Document.

"DEBT SERVICE": with respect to any particular period, the scheduled principal and interest payments due under the Note in such period.



"DEBT SERVICE COVERAGE RATIO": as of any date, the ratio calculated by Lender of (i) the Net Operating Income for the 12-month period ending with the most recently completed calendar month to (ii) the Debt Service with respect to such period (but assuming, only for the purpose of calculating the Debt Service Coverage Ratio, that the Amortization Commencement Date (as defined in the Note) has already occurred).

"DEFAULT RATE": the rate of five percent per annum in excess of the rate provided in the first paragraph of the Note, or, if such increased rate of interest may not be collected from Borrower under applicable law, then at the maximum increased rate of interest which may be collected from Borrower under applicable law, if either (a) any installment under the Note or any other amount owing thereunder or under any of the other Loan Documents is not received by the holder hereof within five calendar days after the same is due, or (b) any other Event of Default occurs, in each case, only while such installment remains past due or such other Event of Default remains uncured.

"DEPOSIT ACCOUNT": an Eligible Account at the Deposit Bank controlled by Lender.

"DEPOSIT BANK": Wachovia Bank, National Association, or such other bank or depository selected by Lender in its discretion.

"ELIGIBLE INSTITUTION": a depository institution insured by the Federal Deposit Insurance Corporation the short term unsecured debt obligations or commercial paper of which are rated at least A-1 by S&P, P-1 by Moody's and F-1+ by Fitch. in the case of accounts in which funds are held for thirty (30) days or less or, in the case of letters of credit or accounts in which funds are held for more than thirty (30) days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's.

"INTEREST PERIOD": (i) the period from the date hereof through the first day thereafter that is the last day of a calendar month and (ii) each period thereafter from the 1st day of each calendar month through the last day of each such calendar month; except that the Interest Period, if any, that would otherwise commence before and end after the Maturity Date shall end on the Maturity Date.

"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.

"LEGAL REQUIREMENTS": statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting Borrower, any Loan Document or all or part of the 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 Borrower, at any time in force affecting all or part of the Property.

"MAJOR LEASE": (i) that certain Lease between Raymours Furniture Company, Inc. ("RAYMOURS TENANT"), as tenant, and Acadia Realty Limited Partnership ("ACADIA"), as

landlord, dated as of November 5, 2003, (as further amended, modified or assigned); (ii) that certain Lease between The Bon-Ton Department Stores, Inc. ("BON TON TENANT"), as tenant, and Acadia, as landlord, dated as of July 25, 2003 (as further amended, modified or assigned); (iii) that certain Lease between A.C. Moore Incorporated ("MOORE TENANT"), as tenant, and Acadia, as landlord, dated as of December 6, 1993, as amended by that certain First Amendment to Lease between Moore, as tenant, and Acadia, as landlord, dated as of July 28, 2003 (as further amended, modified or assigned); (iv) that certain Lease between Price Chopper Operating Co., Inc. ("PRICE CHOPPER TENANT"), as tenant, and Acadia (f/k/a Mark Centers Limited Partnership), as landlord, dated as of January 7, 1994, as amended by that certain First Amendment to Lease between Price, as tenant, and Acadia, as landlord, dated as of April 14, 1997, as amended by that certain Second Amendment to Lease between Price, as tenant, and Acadia, as tenant, dated as of August 6, 2001, with an effective date as of January 1, 2001 (as further amended, modified or assigned); and (v) that certain Lease between Marshalls of MA, Inc. (successor by merger to Marshalls of Latham, N.Y., Inc.) ("MARSHALLS TENANT"), as tenant, and Acadia (successor-in-interest to Mark Centers Limited Partnership, successor-in-interest to Latham Associates), as landlord, dated as of May 20, 1983, as amended by that certain Second Amendment to Lease between Marshalls, as tenant, and Acadia, as landlord, dated as of September 15, 1995; as amended by that certain Third Lease Amendment Agreement between Marshalls, as tenant, and Acadia, as landlord, dated as of April 22, 1997, as amended by that certain Fourth Lease Amendment between Marshalls, as tenant, and Acadia, as landlord, dated as of March 12, 1998, as amended by that certain Fifth Amendment to Lease between Marshalls, as tenant, and Acadia, as landlord, dated as of December 3, 2003, as amended by that certain Additional Space Rent Commencement Date Agreement between Marshalls, as tenant, and Acadia, as landlord., as tenant, dated as of April 29, 2004 (as further amended, modified or assigned).

"MAJOR TENANT": any tenant under either a Major Lease, or under one or more Leases (leased by such tenant and/or its affiliates), which when taken together cover in the aggregate 20,000 or more rentable square feet.

"NET OPERATING INCOME": for any period, the actual net operating income of the Property determined on a cash basis of accounting, after deducting therefrom deposits to (but not withdrawals from) any reserves required under this Instrument, and without giving credit for (i) non-recurring extraordinary items of income; or (ii) rent payable under leases where the tenant thereunder is not open for business (i.e. "goes dark").

"OFFICER'S CERTIFICATE": a certificate delivered to Lender by Borrower which is signed by a senior executive officer of the Sole Member.

"PAYMENT DATE": the 6th day of each calendar month or, upon Lender's exercise of its right to change the Payment Date in accordance with the terms and conditions of the Note, the New Payment Date (as defined in the Note) (in either case, if such day is not a Business Day, the Payment Date shall be the first Business Day thereafter). The first Payment Date hereunder shall be October 6, 2004.

"PERMITTED INVESTMENTS": any investment suitable for the investment of escrows and reserves established under mortgage loans included in a Securitization in which some or all of the certificates issued are rated "AAA" (or the equivalent rating) by the Rating Agencies, as

the standards therefor are established from time to time, or such investments which are otherwise reasonably acceptable to Lender. If the Loan is subject to a Securitization, then the Rating Agencies referred to immediately above shall be the Rating Agencies that have rated the securities issued in such Securitization.

"RENTS": all rents, rent equivalents, moneys payable as damages (including payments by reason of the rejection of a lease in a bankruptcy proceeding) 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 Borrower, Manager or any of their agents or employees from any and all sources arising from or attributable to the Property, 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 Property or rendering of services by Borrower, Manager or any of their agents or employees and proceeds, if any, from business interruption or other loss of income insurance.

"ROLLOVER SWEEP EVENT": (i) the date that is 12 months prior to the stated expiration (including any renewal term) of a Major Lease (i.e., February 1, 2013 for Bon Ton Tenant; January 31, 2013 for Marshalls Tenant; April 30, 2008 and April 30, 2013 for Moore Tenant; May 31, 2014 for Price Chopper Tenant); (ii) the date required under a Major Lease by which the applicable Major Tenant is required to give notice of its exercise of a renewal option thereunder (and such renewal has not been so exercised) (i.e. February 1, 2013 for Bon Ton Tenant; February 1, 2013 for Marshalls Tenant; November 1, 2013 for Moore Tenant; May 31, 2104 for Price Chopper Tenant); (iii) the occurrence of the early termination or early cancellation of a Major Lease; (iv) if any Major Tenant at the Property shall discontinue its business at its premises (i.e., "goes dark") or give notice that it intends to discontinue its business; or (v) the bankruptcy or insolvency proceeding of a Major Tenant (and the subject lease has not been affirmed or assumed and assigned).

"ROLLOVER SWEEP PERIOD": shall commence upon the occurrence of a Rollover Sweep Event, and shall end upon the earlier to occur of: (A) the date on which Lender has determined that sufficient funds have been collected in the Rollover Reserve Subaccount to cover the anticipated tenant improvement costs and leasing commissions in connection with the re-tenanting of the space(s) that gave rise to such Rollover Sweep Period; (B) if the portion of the Property which was the subject of the Rollover Sweep Event has been leased to a new tenant pursuant to a Lease entered into in accordance with the provisions of this Instrument (1) the receipt by Lender of evidence reasonably satisfactory to Lender that all Approved Leasing Expenses in connection therewith have been paid in full and (2) the receipt by Lender of an estoppel certificate from such new tenant in which such new tenant certifies that the Lease is in full force and effect, all conditions precedent to the commencement of rent under such Lease have been satisfied, such new tenant has accepted delivery of the demised premises and the payment of rent under such Lease has commenced. Notwithstanding the foregoing, if any Rollover Sweep Period is triggered by the occurrence of an event described in clause (v) of the definition of Rollover Sweep Event, such Rollover Sweep Period shall also end upon the

assumption of the applicable lease by the tenant thereunder pursuant to Section 365 of the Bankruptcy Code.

(b) CASH MANAGEMENT ARRANGEMENTS. Borrower shall cause all Rents to be transmitted directly by non-residential tenants of the Property into a trust account (the "CLEARING ACCOUNT") maintained by Borrower at a local bank selected by Borrower, which shall at all times be an Eligible Institution (the "CLEARING BANK") as more fully described in the Clearing Account Agreement. Without in any way limiting the foregoing, all Rents received by Borrower or Manager shall be deposited into the Clearing Account within one Business Day of receipt. Funds deposited into the Clearing Account shall be swept by the Clearing Bank on a daily basis into Borrower's operating account at the Clearing Bank, unless a Cash Management Period is continuing, in which event such funds shall be swept on a daily basis into an Eligible Account (as defined in the Deposit Account Agreement) at the Deposit Bank controlled by Lender (the "DEPOSIT ACCOUNT") and applied and disbursed in accordance with this Instrument. Funds in the Deposit Account shall be invested at Lender's discretion only in Permitted Investments. Lender will also establish subaccounts of the Deposit Account which shall at all times be Eligible Accounts (and may be ledger or book entry accounts and not actual accounts) (such subaccounts are referred to herein as "SUBACCOUNTS"). The Deposit Account and any Subaccount will be under the sole control and dominion of Lender, and Borrower shall have no right of withdrawal therefrom. Borrower shall pay for all expenses of opening and maintaining all of the above accounts.

(c) REQUIRED REPAIRS.

(i) COMPLETION OF REQUIRED REPAIRS. Borrower shall perform and complete each item of the repairs and environmental remedial work at the Property described on Schedule 2 (the "REQUIRED REPAIRS") within six (6) months of the date hereof or such shorter period of time for such item set forth on Schedule 2.

(ii) REQUIRED REPAIRS RESERVES. On the date hereof, Borrower shall deposit with Lender the aggregate amount set forth on Schedule 2 as being required to complete the Required Repairs and Lender shall cause such amount to be transferred to a Subaccount (the "REQUIRED REPAIRS SUBACCOUNT"). Provided no Default or Event of Default shall have occurred and is continuing, Lender shall disburse funds held in the Required Repairs Subaccount to Borrower, within 15 days after the delivery by Borrower to Lender of a request therefor (but not more often than once per month), in increments of at least \$5,000, accompanied by the following items (which items shall be in form and substance satisfactory to Lender): (i) an Officer's Certificate (A) certifying that the Required Repairs or any portion thereof which are the subject of the requested disbursement have been completed in a good and workmanlike manner and in accordance with all applicable laws, (B) identifying each Person that supplied materials or labor in connection with such Required Repairs or any portion thereof and (C) stating that each such Person has been or, upon receipt of the requested disbursement, will be paid in full with respect to the portion of the Required Repairs which is the subject of the requested disbursement; (ii) copies of appropriate lien waivers or other evidence of payment satisfactory to Lender; (iii) at Lender's option, a title search for the Property indicating that it is free from all liens not previously approved by Lender; (iv) a copy of each license required to be obtained with respect to the portion of the Required Repairs which is the subject of the requested disbursement; and

(v) such other evidence as Lender shall reasonably request that the Required Repairs which are the subject of the requested disbursement have been completed and paid for. Provided no Default or Event of Default shall have occurred and is continuing, upon Borrower's completion of all Required Repairs in accordance with this Section, Lender shall release any funds remaining in the Required Repairs Subaccount, if any, to Borrower.

(d) TAXES AND INSURANCE.

(i) Borrower shall pay to Lender on each Payment Date (1) one-twelfth of the yearly Taxes that Lender estimates will be payable during the next 12 months in order to accumulate with Lender sufficient funds to pay all such Taxes at least 30 days prior to their respective due dates and (2) one-twelfth of the insurance premiums that Lender estimates will be payable for the renewal of a separate "stand-alone" policy providing the coverage afforded by the insurance policies required under this Instrument upon the expiration thereof in order to accumulate with Lender sufficient funds to pay all such insurance premiums at least 30 days prior to the expiration of the insurance policies. Such amounts will be transferred by Lender to a Subaccount (the "TAX AND INSURANCE SUBACCOUNT"). Provided that no Event of Default has occurred and is continuing, Lender will (a) apply funds in the Tax and Insurance Subaccount to payments of Taxes required to be made by Borrower pursuant to this Instrument, provided that Borrower has promptly supplied Lender with notices of all Taxes due, or (b) reimburse Borrower for payments of (x) Taxes and (y) insurance premiums paid in connection with the purchase of a separate "stand-alone" policy providing the coverage afforded by the insurance policies required under this Instrument upon the expiration thereof, in each case, due upon presentation of evidence acceptable to Lender of such payment by Borrower; subject, however, to Borrower's right to contest Taxes in accordance with this Instrument. In making any payment or reimbursement relating to Taxes and insurance premiums, Lender may do so according to any bill, statement or estimate procured from the appropriate public office (with respect to taxes) or insurer or agent (with respect to insurance premiums), without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof. If Lender determines in its reasonable judgment that the funds in the Tax and Insurance Subaccount will be insufficient to pay (or in excess of) the Taxes or insurance premiums next coming due, Lender may increase (or decrease) the monthly contribution required to be made by Borrower to the Tax and Insurance Subaccount.

(ii) Alternative Escrow.

(1) Notwithstanding anything to the contrary contained in paragraph (i) above, in lieu of the requirements set forth therein with respect to Borrower's obligations to make monthly deposits on account of insurance premiums into the Tax and Insurance Escrow Fund, Borrower has deposited with Lender on the date hereof an amount equal to the Alternative Escrow Amount, which amount has been transferred by Lender into a Subaccount (the "ALTERNATIVE ESCROW SUBACCOUNT"). From time to time, upon Lender's request, Borrower shall deposit such additional funds into the Alternative Escrow Subaccount to reflect any actual increases, as determined by Lender in its reasonable discretion, after the date hereof in the amount of such insurance premiums.

(2) At all times that the Alternative Escrow Subaccount is being held by Lender, then, notwithstanding anything to the contrary contained elsewhere in this Instrument, Borrower shall pay (or cause to be paid) such insurance premiums as the same become due and payable, and upon reasonable request, promptly furnish to Lender receipts for the payment of all such amounts or other evidence of such payment reasonably satisfactory to Lender.

(3) Upon any non-payment of such insurance premiums, Lender shall have the right to withdraw funds from the Alternative Escrow Subaccount for the purpose of making such required payments on behalf of Borrower.

(4) Notwithstanding the above, Borrower's obligations to make the payments required under Section 25(d)(i)(2) shall immediately resume and shall continue until the end of the Term in the event that (i) all or any portion of the Alternative Escrow Subaccount is applied in accordance with subparagraph (3) above, (ii) Borrower fails to deposit additional funds into the Alternative Escrow Subaccount in accordance with the last sentence of subparagraph (1) above within 5 days of demand or (iii) Borrower purchases a separate "stand-alone" policy providing the coverage afforded by the insurance policies required under this Instrument upon the expiration thereof.

(e) CAPITAL EXPENSE RESERVES. Borrower shall pay to Lender on each Payment Date an amount initially equal to one-twelfth of the product obtained by multiplying \$0.15 by the aggregate number of rentable square feet of space in the Property. Lender will transfer such amounts into a Subaccount (the "CAPITAL RESERVE SUBACCOUNT"). Provided that no Event of Default has occurred and is continuing, Lender shall disburse funds held in the Capital Reserve Subaccount to Borrower, within 15 days after the delivery by Borrower to Lender of a request therefor (but not more often than once per month), in increments of at least \$5,000 provided that (i) such disbursement is for an Approved Capital Expense; (ii) Lender shall have (if it desires) verified (by an inspection conducted at Borrower's expense) performance of the work associated with such Approved Capital Expense; and (iii) the request for disbursement is accompanied by (A) an Officer's Certificate certifying (1) that such funds will be used to pay or reimburse Borrower for Approved Capital Expenses and a description thereof, (2) that all outstanding trade payables (other than those to be paid from the requested disbursement or those constituting Permitted Indebtedness) have been paid in full, (3) that the same has not been the subject of a previous disbursement, and (4) that all previous disbursements have been used to pay the previously identified Approved Capital Expenses, and (B) for any such disbursement of more than \$25,000, at Lender's option (which option shall be exercised in Lender's reasonable judgment), a title search for the Property indicating that the Property is free from all Liens, claims and other encumbrances not previously approved by Lender and (C) such other evidence as Lender shall reasonably request that the Approved Capital Expenditures at the Property to be funded by the requested disbursement have been completed and are paid for or will be paid upon such disbursement to Borrower.

(f) ROLLOVER RESERVES. Borrower shall pay to Lender \$10,636.13 on each Payment Date (the "MONTHLY ROLLOVER PAYMENT"); provided, however, Borrower shall not be

required to make any Monthly Rollover Payment on any Payment Date when the balance on deposit in the Rollover Reserve Subaccount is equal to or greater than \$125,000 (excluding any amounts deposited pursuant to the fourth sentence of this subsection (f)). Additionally, if a Rollover Sweep Period has commenced, and no other Cash Management Period is then continuing, then on the immediately succeeding Payment Date and on each Payment Date thereafter during the continuance of such Rollover Sweep Period, all Available Cash shall be paid to Lender. Lender will transfer such amounts into a Subaccount (the "ROLLOVER RESERVE SUBACCOUNT"). Borrower shall also pay to Lender for transfer into the Rollover Reserve Subaccount all payments received from tenants in connection with the early termination or cancellation of any Leases, including fees, penalties and commissions. Provided that no Event of Default has occurred and is continuing, Lender shall disburse funds held in the Rollover Reserve Subaccount to Borrower, within 15 days after the delivery by Borrower to Lender of a request therefor (but not more often than once per month), in increments of at least \$5,000, provided (i) such disbursement is for an Approved Leasing Expense; (ii) Lender shall have (if it desires) verified (by an inspection conducted at Borrower's expense) performance of any construction work associated with such Approved Leasing Expense; and (iii) the request for disbursement is accompanied by (A) an Officer's Certificate certifying (1) that such funds will be used only to pay (or reimburse Borrower for) Approved Leasing Expenses and a description thereof, (2) that all outstanding trade payables (other than those to be paid from the requested disbursement or those constituting Permitted Indebtedness) have been paid in full, (3) that the same has not been the subject of a previous disbursement, and (4) that all previous disbursements have been used only to pay (or reimburse Borrower for) the previously identified Approved Leasing Expenses, and (B) reasonably detailed supporting documentation as to the amount, necessity and purpose therefor. Provided that no Event of Default has occurred and is continuing, the remaining funds in the Rollover Reserve Subaccount (to the extent not drawn upon pursuant to this Section 25(f)) allocable to any specific portion of the commercial space at the Property which is the subject of the Rollover Sweep Event will be disbursed to Borrower within 10 days after written request therefor, provided that Borrower has delivered (i) evidence reasonably satisfactory to Lender that (y) such commercial space has been re-let pursuant to Leases entered into in accordance with this Instrument and (z) all Approved Leasing Expenses which have been incurred or which Lender anticipates will be incurred with respect to such space have been paid in full and (ii) an estoppel certificate from the applicable tenant occupying such portion of the commercial space at the Property in a form reasonably satisfactory to Lender pursuant to which such tenant certifies to Lender that (1) such tenant has taken occupancy of its demised premises, (2) all of the conditions precedent to such tenant's obligation to commence the payment of rent under its Lease have been satisfied (including Borrower's contribution to the cost of any tenant improvement work) and (3) such tenant has commenced the payment of rent under its Lease.

(g) OPERATING EXPENSE SUBACCOUNT. During a Cash Management Period, Borrower shall pay to Lender on or before each Payment Date the monthly amount set forth in the Approved Operating Budget for the following month as being necessary for payment of Approved Operating Expenses at the Property for such month, which amounts shall be transferred into a Subaccount for the payment of Approved Operating Expenses (the "OPERATING EXPENSE Subaccount"). Provided no Event of Default has occurred and is continuing, Lender shall disburse funds held in the Operating Expense Subaccount to Borrower, within 15 days after delivery by Borrower to Lender of a request therefor (but not more often than once per month), in increments of at least \$1,000, provided (i) such disbursement is for an Approved Operating

Expense; and (ii) such disbursement is accompanied by (A) an Officer's Certificate certifying (1) that such funds will be used to pay Approved Operating Expenses and a description thereof, (2) that all outstanding trade payables (other than those to be paid from the requested disbursement or those constituting Permitted Indebtedness) have been paid in full, (3) that the same has not been the subject of a previous disbursement, and (4) that all previous disbursements have been or will be used to pay the previously identified Approved Operating Expenses, and (B) reasonably detailed documentation satisfactory to Lender as to the amount, necessity and purpose therefor.

(h) CASUALTY/CONDEMNATION SUBACCOUNT. Borrower shall pay, or cause to be paid, to Lender all insurance proceeds or Awards due to any Casualty or Condemnation which Borrower is required to deposit with Lender to be transferred to a Subaccount (the "CASUALTY/CONDEMNATION SUBACCOUNT") in accordance with the provisions of Sections 5 and 11. All amounts in the Casualty/Condemnation Subaccount shall be disbursed in accordance with the provisions of Sections 5 and 11.

(i) SECURITY DEPOSITS. Borrower shall keep all security deposits under Leases at a separately designated account under Borrower's control at the Clearing Bank (and in the case of a letter of credit, assigned with full power of attorney and executed sight drafts to Lender) so that the security deposits shall not be commingled with any other funds of Borrower (such account, the "SECURITY DEPOSIT ACCOUNT"). Upon the occurrence and during the continuance of an Event of Default, Borrower shall, upon Lender's request, if permitted by applicable Legal Requirements, turn over to Lender the security deposits (and any interest theretofore earned thereon) under Leases, to be held by Lender in a Subaccount (the "SECURITY DEPOSIT SUBACCOUNT") subject to the terms of the Leases. Security deposits held in the Security Deposit Subaccount will be released by Lender upon notice from Borrower together with such evidence as Lender may reasonably request that such security deposit is required to be returned to a tenant pursuant to the terms of a Lease or may be applied as Rent pursuant to the rights of Borrower under the applicable Lease. Any letter of credit or other instrument that Borrower receives in lieu of a cash security deposit under any Lease entered into after the date hereof shall (i) be maintained in full force and effect in the full amount unless replaced by a cash deposit as hereinabove described and (ii) if permitted pursuant to any Legal Requirements, name Lender as payee or mortgagee thereunder (or at Lender's option, be fully assignable to Lender).

(j) CASH COLLATERAL SUBACCOUNT. If a Cash Management Period shall have commenced, then on the immediately succeeding Payment Date and on each Payment Date thereafter during the continuance of such Cash Management Period, all Available Cash shall be paid to Lender, which amounts shall be transferred by Lender into a Subaccount (the "CASH COLLATERAL SUBACCOUNT") as cash collateral for Borrower's obligations under the Loan Documents. At Lender's option, during the continuance of a Rollover Sweep Period, any funds that have been deposited into the Cash Collateral Subaccount may be transferred by Lender into the Rollover Reserve Subaccount, to be applied and disbursed in accordance with the provisions of Section 25(f) hereof. Any funds in the Cash Collateral Subaccount Account and not previously disbursed or applied shall be disbursed to Borrower upon the termination of such Cash Management Period. Lender shall have the right, but not the obligation, at any time (i) during the continuance of an Event of Default or (ii) subsequent to the second Calculation Date following the commencement of a Cash Management Period (whether or not an Event of



Default is then continuing), in its sole and absolute discretion to apply all sums then on deposit in the Cash Collateral Subaccount to Borrower's obligations under the Loan Documents, in such order and in such manner as Lender shall elect in its sole and absolute discretion, including to make a prepayment of principal (together with the Prepayment Consideration (as defined in the Note) applicable thereto).

(k) GRANT OF SECURITY INTEREST; APPLICATION OF FUNDS. As security for payment of the Loan and the performance by Borrower of all other terms, conditions and provisions of the Loan Documents, Borrower hereby pledges and assigns to Lender, and grants to Lender a security interest in, all Borrower's right, title and interest in and to all Rents and in and to all payments to or monies held in the Clearing Account, the Deposit Account, all Subaccounts created pursuant to this Instrument (collectively, the "CASH MANAGEMENT ACCOUNTS"). Borrower hereby grants to Lender a continuing security interest in, and agrees to hold in trust for the benefit of Lender, all Rents in its possession prior to the (i) payment of such Rents to Lender or (ii) deposit of such Rents into the Clearing Account. Borrower shall not, without obtaining the prior written consent of Lender, further pledge, assign or grant any security interest in any Cash Management Account, or permit any lien to attach thereto, or any levy to be made thereon, or any UCC Financing Statements, except those naming Lender as the secured party, to be filed with respect thereto. This Instrument is, among other things, intended by the parties to be a security agreement for purposes of the UCC. Upon the occurrence and during the continuance of an Event of Default, Lender may apply any sums in any Cash Management Account in any order and in any manner as Lender shall elect in Lender's discretion without seeking the appointment of a receiver and without adversely affecting the rights of Lender to foreclose the Lien of the Instrument or exercise its other rights under the Loan Documents. Cash Management Accounts shall not constitute trust funds and may be commingled with other monies held by Lender. All interest which accrues on the funds in any Cash Management Account (other than the Tax and Insurance Subaccount) shall accrue for the benefit of Borrower and shall be taxable to Borrower and shall be added to and disbursed in the same manner and under the same conditions as the principal sum on which said interest accrued. Upon repayment in full of Borrower's obligations under the Loan Documents, all remaining funds in the Subaccounts, if any, shall be promptly disbursed to Borrower.

(l) PROPERTY CASH FLOW ALLOCATION.

(i) During any Cash Management Period, all Rents deposited into the Deposit Account during the immediately preceding Interest Period shall be applied on each Payment Date as follows in the following order of priority: (i) First, to make payments into the Tax and Insurance Subaccount as required under paragraph (d) of this Section 25; (ii) Second, to pay the monthly portion of the fees charged by the Deposit Bank in accordance with the Deposit Account Agreement; (iii) Third, to Lender to pay the principal and interest due under the Note on such Payment Date (plus, if applicable, interest at the Default Rate and all other amounts, other than those described under other clauses of this paragraph (l) of this Section 25, then due to Lender under the Loan Documents); (iv) Fourth, to make payments into the Capital Reserve Subaccount as required under paragraph (e) of this Section 25; (v) Fifth, to make payments of the Monthly Rollover Payment into the Rollover Reserve Subaccount, as required under paragraph (f) of this Section 25; (vi) Sixth, to make payments for Approved Operating Expenses as required under paragraph (g) of this Section 25; (vii) Seventh, during the continuance of a

Rollover Sweep Period (and if no other Cash Management Period is then continuing) to make payments in an amount equal to all remaining Available Cash on such Payment Date into the Rollover Reserve Subaccount as required under paragraph (f) of this Section 25; and (viii) Lastly, during the continuance of a Cash Management Period described in clauses (i), (ii) or (iii) of the defined term "Cash Management Period", to make payments in an amount equal to all remaining Available Cash on such Payment Date into the Cash Collateral Subaccount in accordance with paragraph (j) of this Section 25. Upon the termination of any Cash Management Period, provided no Event of Default is then continuing, any funds in the Operating Expense Subaccount and not previously disbursed or applied shall be fully disbursed to Borrower.

(ii) The failure of Borrower to make all of the payments required under clauses (i) through (viii) of paragraph (i) above in full on each Payment Date shall constitute an Event of Default under this Instrument; provided, however, if adequate funds are available in the Deposit Account for such payments, the failure by the Deposit Bank to allocate such funds into the appropriate Subaccounts shall not constitute an Event of Default.

Notwithstanding anything to the contrary contained in this Section 25, after the occurrence and during the continuance of an Event of Default, Lender may apply all Rents deposited into the Deposit Account and other proceeds of repayment in such order and in such manner as Lender shall elect.

SECTION 26. NONRECOURSE LOAN. Subject to the provisions of this Section, and notwithstanding any provision of the Loan Documents other than this Section, the personal liability of Borrower, and of any general partner of Borrower, to pay the principal of and interest on the debt evidenced by the Note and any other agreement evidencing Borrower's obligations under the Note shall be limited to (a) the Collateral, (b) the personal property described in and pledged under any Loan Document other than this Instrument, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default.

Except as provided in this Section, Lender shall not seek (a) any judgment for a deficiency against Borrower, any general partner or member of Borrower, or Borrower's successors or assigns, in any action to enforce any right or remedy under the Note, this Instrument or the other Loan Documents, or (b) any judgment on the Note except as may be necessary in any action brought under the Instrument to enforce the lien against the Property or any other Collateral.

Notwithstanding the foregoing, Borrower and any general partner of Borrower shall be fully and personally liable for payment and performance of all obligations set forth in the Loan Documents, including the payment of all principal, interest, and other amounts under the Note, in the event of (i) the occurrence of an uncured default under Sections 15, 16 or 29 of this Instrument, or (ii) the occurrence of any condition or event described in Section 20 (except that in the event of involuntary proceedings described therein, neither Borrower nor any general partner of Borrower shall be fully and personally liable under this Section 26 unless either Borrower or any general partner of Borrower or any Person owning an interest (directly or

indirectly) in Borrower or any general partner of Borrower consents to, aids, solicits, supports, or otherwise cooperates or colludes to cause such event or fails to contest such event).

Further, Borrower and any general partner of Borrower shall be personally liable in the amount of any loss, damage or cost resulting from (a) fraud or intentional misrepresentation by Borrower in connection with obtaining the loan evidenced by the Note, (b) insurance proceeds, condemnation awards, or other sums or payments attributable to the Property not applied in accordance with the provisions of the Loan Documents (except to the extent that Borrower did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct disbursement of such sums or payments), (c) all rents, profits, issues, products and income of the Property received or collected by or on behalf of Borrower after and during an Event of Default and not applied to payment of principal and interest due under the Note, and to the payment of actual and reasonable operating expenses of the Property, as they become due or payable (except to the extent that such application of such funds is prevented by bankruptcy, receivership, or similar judicial proceeding in which Borrower is legally prevented from directing the disbursement of such sums), (d) misappropriation (including failure to turn over to Lender on demand following an Event of Default) of tenant security deposits and rents collected in advance, or of funds held by Borrower for the benefit of another party, or (e) Borrower's failure to pay transfer fees and charges due Lender under the Loan Documents in connection with any subordinate financing or any transfer of all or any part of the Property, or any interest therein, from Borrower to Borrower's transferee, or transfer of any beneficial interest in Borrower (if Borrower is not a natural person or persons but is a corporation, partnership, limited liability company, trust or other legal entity) other than a Permitted Transfer, or (f) failure by Borrower, any general partner of Borrower, or any indemnitor or guarantor to comply with the covenants, obligations, liabilities, warranties and representations contained in the Environmental Indemnity Agreement or otherwise pertaining to environmental matters, or (g) in the event Lender has waived (or Borrower has failed to pay) the monthly collection for real and personal property taxes, assessments, insurance premiums, or ground rents, then failure by Borrower to pay any or all such taxes, assessments, premiums and rents, or (h) in the event that Lender has waived (or Borrower has not complied with) the requirement for third party property management, then any management fee taken by Borrower or any principal or affiliate of Borrower after an Event of Default, or (i) breach of any of Sections 15, 16 or 29 of this Instrument, or (j) the occurrence of any condition or event described in Section 20 (except that in the event of involuntary proceedings described therein, neither Borrower nor any general partner of Borrower shall be fully and personally liable under this Section 26 unless either Borrower or any general partner of Borrower or any Person owning an interest (directly or indirectly) in Borrower or any general partner of Borrower consents to, aids, solicits, supports, or otherwise cooperates or colludes to cause such event or fails to contest such event).

No provision of this Section shall (i) affect the enforcement of the Environmental Indemnity Agreement or any guaranty or similar agreement executed in connection with the debt evidenced by the Note, (ii) release or reduce the debt evidenced by the Note, (iii) impair the lien of this Instrument, (iv) impair the rights of Lender to enforce any provisions of this Instrument, (v) limit Lender's ability to obtain a deficiency judgment or judgment on the Note or otherwise against Borrower to the extent necessary to obtain any amount for which Borrower may be liable in accordance with this Section.

SECTION 27. REPRESENTATIONS OF BORROWER. The Borrower hereby represents and warrants to Lender the following:

(a) Organization. Borrower is a limited liability company, validly existing and in good standing under the laws of Delaware. There are no proceedings or actions pending, threatened or contemplated for the liquidation, termination or dissolution of Borrower.

(b) Rent Roll. Borrower has delivered to Lender a certified rent roll (the "RENT ROLL"), a copy of which is attached hereto as Schedule 3, which constitutes a true, correct, and complete list of each and every lease affecting the Property (for each commercial tenant, together with all extensions and amendments thereof) (the "EXISTING LEASES"); Borrower has delivered to Lender a true, correct, and complete copy of each of the Existing Leases which are entered into by commercial or retail tenants; and there are no other leases, assignments, modifications, extensions, renewals, or other agreements of any kind whatsoever (written or oral) outstanding with respect to the leases or the Property.

(c) Leases. Unless otherwise specified in the Rent Roll:

(i) the Existing Leases are in full force and effect;

(ii) Borrower has not given any notice of default to any tenant under an Existing Lease (an "EXISTING Tenant") which remains uncured;

(iii) no Existing Tenant has any set off, claim or defense to the enforcement of any Existing Lease;

(iv) no Existing Tenant is in arrears in the payment of rent for more than 30 days, additional rent or any other charges whatsoever due under any Existing Lease; or, to the knowledge of Borrower, is materially in default in the performance of any other obligations of such Existing Tenant under the applicable Existing Lease; and

(v) Borrower has completed all work or alterations required of the landlord or lessor under each Existing Lease; and all of the other obligations of landlord or lessor under the Existing Leases have been performed.

(d) Rents. The Rent Roll truly and completely discloses all annual and monthly rents payable by all Existing Tenants, including all percentage rents, if any, expiration dates of the Existing Leases, and the amount of security deposit being held by Borrower under each Existing Lease, if any; and Borrower has not granted any Existing Tenant any rent concessions (whether in form of cash contributions, work agreements, assumption of an Existing Tenant's other obligations, or otherwise) or extensions of time whatsoever not reflected in such Rent Roll.

(e) Lease Issues. There are no legal proceedings commenced (or, to the best of the knowledge of the Borrower, threatened) against Borrower by any Existing Tenant; no rental in excess of one month's rent has been prepaid under any of the Existing Leases; each of the Leases is valid and binding on the parties thereto in accordance with its terms; and the

execution of this Instrument and the other Loan Documents will not constitute an event of default under any of the Existing Leases.

(f) Security Deposits. Borrower currently holds the security deposits (if any) specified in the Existing Leases and has not given any credit, refund, or set off against such security deposits to any person.

(g) Intentionally Deleted.

(h) No Undisclosed Tenants. Except for Borrower, there are no persons or entities occupying space in the Property as tenants other than the persons or entities specifically named in the Existing Leases.

(i) Title. Except as specifically listed in the schedule of exceptions to coverage in the title policy insuring Lender's interest in the Property, Borrower is now in possession of the Property; Borrower's possession of the Property is peaceable and undisturbed; Borrower does not know any facts by reason of which any claim to the Property, or any part thereof, might arise or be set up adverse to Borrower; and the Property is free and clear of (i) any lien for Taxes (except real property taxes not yet due and payable for the calendar year in which this Instrument is being executed), and (ii) any easements, rights-of-way, restrictions, encumbrances, liens or other exceptions to title by mortgage, decree, judgment, agreement, instrument, or, to the knowledge of Borrower, proceeding in any court. The Permitted Encumbrances (as defined in Section 15 hereof) do not materially and adversely affect the value, operation or use of the Property, or Borrower's ability to repay the Loan. This Instrument 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 Borrower's interest in the Property 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. There are no pending or proposed special or other assessments for public improvements or otherwise affecting the Property, or any contemplated improvements to the Property that may result in such special or other assessments.

(j) Liens. All charges for labor, materials or other work of any kind furnished in connection with the construction, improvement, renovation or rehabilitation of the Property or any portion thereof have been paid in full, and no unreleased affidavit claiming a lien against the Property, or any portion thereof, for the supplying of labor, materials or services for the construction of improvements on the Property has been executed or recorded in the mechanic's lien or other appropriate records in the county in which the Property is located.

(k) Compliance with Law. The Property and the current and contemplated uses of the Property are in compliance with all applicable federal, state and municipal laws, rules, regulations and ordinances, applicable restrictions, zoning ordinances, building codes and regulations, building lines and easements, including, without limitation, federal and state environmental protection law and the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act of 1988, all state and local laws or ordinances related to handicapped access, and any statute, rule, regulation, ordinance, or order of governmental bodies or regulatory

agencies, or any order or decree of any court adopted or enacted with respect thereto; no governmental authority having jurisdiction over any aspect of the Property has made a claim or determination that there is any such violation; the Property is not included in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973, as amended, as an area having special flood hazards; and all permits, licenses and the like which are necessary for the operation of the Property have been issued and are in full force and effect.

(l) Adverse Changes; Full and Accurate Disclosure. There have been no material adverse changes, financial or otherwise, in the condition of Borrower from that disclosed to Lender in the loan application submitted to Lender by Borrower, or in any supporting data submitted in connection with the Loan, and all of the information contained therein was true and correct when submitted and is now substantially and materially true and correct on the date hereof. No statement of fact made by 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 Borrower that has not been disclosed to Lender which adversely affects, or, as far as Borrower can foresee, might adversely affect, the Property or the business, operations or condition (financial or otherwise) of Borrower. All financial data, including the statements of cash flow and income and operating expense, that have been delivered to Lender in respect of Borrower and the Property (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of Borrower and the Property 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 or federal income tax basis of accounting, in either case, consistently applied throughout the periods covered, except as disclosed therein. Borrower has no 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 Instrument. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of Borrower or the Property from that set forth in said financial statements.

(m) Claims, Litigation. There is no claim, litigation or condemnation proceeding pending, or, to the knowledge of the Borrower, threatened, against the Property or Borrower, which would be likely to have a material adverse affect on the Property or Borrower's ability to perform its obligations in the connection with the Loan.

(n) Single Purpose. Borrower does not own any real property or assets other than the Property and does not operate any business other than the management and operation of the Property.

(o) Bankruptcy. No proceedings in bankruptcy or insolvency has ever been instituted by or against Borrower or any affiliate thereof, and no such proceeding is now pending or contemplated.

(p) Solvency. Borrower is, and if there are any general partners or members of Borrower, such partners or members are, solvent pursuant to the laws of the United States, as reflected by the entries in Borrower's books and records and as reflected by the actual facts.

(q) Enforceability of Loan Documents. The Loan Documents have been duly authorized, executed and delivered by Borrower and constitute valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms. No approval, consent, order or authorization of any governmental authority and no designation, registration, declaration or filing with any governmental authority is required in connection with the execution and delivery of the Note, this Instrument or any other Loan Document. Neither Borrower nor any guarantor or indemnitor has any defense or offset to the enforcement of any Loan Document, or any claim against Lender. Neither Borrower nor any guarantor or indemnitor has any right whatsoever against Lender other than the express contractual obligations of Lender set forth in the Loan Documents. Any rights or claims contrary to this provision, whether known or unknown, are hereby expressly waived.

(r) Non-contravention. The execution and delivery of the Loan Documents will not violate or contravene in any way the articles of incorporation or bylaws or partnership agreement, articles of organization or operating agreement as the case may be, of Borrower or any indenture, agreement or instrument to which Borrower is a party or by which it or its property may be bound, or be in conflict with, result in a breach of or constitute a default under any such indenture, agreement or other instrument, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Borrower, except as contemplated by the provisions of such Loan Documents, and no action or approval with respect thereto by any third person is required.

(s) Homestead. No part of the Property is all or a part of Borrower's homestead or the homestead of anyone.

(t) Utilities. The Property is served by all utilities required for the current or contemplated use thereof. All utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service.

(u) Public Roads. All public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all-weather and are physically and legally open for use by the public.

(v) Water and Sewers. The Property is serviced by public water and sewer systems.

(w) Damage. The Property is free from damage caused by fire or other casualty.

(x) Waste Disposal. All liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in compliance with all applicable laws.

(y) Agreements. Borrower is not a party to any agreement or instrument or subject to any restriction which might adversely affect Borrower or the Property, or Borrower's business, properties, operations or condition, financial or otherwise. 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 the Property is bound.

(z) No Plan Assets. As of the date hereof and throughout the entire term of the loan evidenced by the Note and this Instrument (the "TERM") (i) Borrower is not and will not be an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (ii) 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, (iii) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA, and (iv) transactions by or with Borrower are not and will not be subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans.

(aa) Federal Reserve Regulations; Investment Company Act. No part of the proceeds of the loan evidenced by the Note, this Instrument and the other Loan Documents 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 (as defined in Section 25 hereof) or any Loan Document. Borrower is not (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.

(bb) Fraudulent Transfer. Borrower has not entered into the loan evidenced by the Note, this Instrument and the other Loan Documents, or any Loan Document with the actual intent to hinder, delay, or defraud any creditor, and 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 Borrower's assets exceeds and will, immediately following the execution and delivery of the Loan Documents, exceed Borrower's total liabilities, including subordinated, unliquidated, disputed or contingent liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. 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. Borrower does not intend to, and does not believe 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 Borrower).

(cc) No Other Debt. There is no indebtedness with respect to the Property or any excess cash flow or any residual interest therein, whether secured or unsecured, other than Permitted Encumbrances and Permitted Indebtedness (as defined in Section 28(i) hereof).

(dd) Flood Zone. No portion of the Property is located in an area as identified by the Federal Emergency Management Agency as an area having special flood hazards.



SECTION 28. BORROWER'S ADDITIONAL COVENANTS. Borrower hereby covenants, agrees and undertakes as follows:

(a) Alterations of Property. Borrower shall not undertake or commence any alterations of any improvements on the Property the cost of which is in excess of five percent of the then original principal amount of the Note, without the prior written consent of Lender, not to be unreasonably withheld; 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 \$2,000,000.

(b) Further Assurances. Borrower shall from time to time, at the request of Lender, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Instrument or in any other Loan Document or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver and record and/or file such further documents or instruments (including, without limitation, further mortgages, security agreements, financing statements, continuation statements, assignments of rents or leases and environmental indemnity agreements) and perform such further acts and provide such further assurances as may be necessary, desirable or proper, in Lender's opinion, to carry out more effectively the purposes of this Instrument and such other instruments and to subject to the liens and security interests hereof and thereof any property intended by the terms hereof or thereof to be covered hereby or thereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; provided that such documents or instruments do not materially increase Borrower's liability under the Loan Documents; and (iii) execute, acknowledge, deliver, procure, and file and/or record any document or instrument (including specifically, but without limitation, any financing statement) deemed advisable by Lender to protect the liens and the security interests herein granted against the rights or interests of third persons; provided that such documents or instruments do not materially increase Borrower's liability under the Loan Documents. Borrower will pay all reasonable costs connected with any of the foregoing in this paragraph.

(c) Mortgage Taxes. Borrower shall at any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Instrument, or upon any rights, titles, liens or security interests created hereby, or upon the obligations secured hereby or any part thereof, immediately pay all such taxes; provided that, if such law as enacted makes it unlawful for Borrower to pay such tax, Borrower shall not pay nor be obligated to pay such tax, and in the alternative, Borrower may, in the event of the enactment of such a law, and must, if it is unlawful for Borrower to pay such taxes, prepay the obligations secured hereby in full within 60 days after demand therefor by Lender.

(d) Minerals. Borrower shall not permit any drilling or exploration for or extraction, removal or production of any mineral, natural element, compound or substance from the surface or subsurface of the Property regardless of the depth thereof or the method of mining or extraction thereof.

(e) Maintenance of Borrower and Sole Member Names. Borrower shall not change, or permit Sole Member to change, its name, identity (including its trade name or names) or employer identification number, in any such case, without notifying Lender of such change in

writing at least thirty (30) days prior to the effective date of such change. Borrower shall deliver, or cause Sole Member to deliver, to Lender, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change reasonably required by Lender, if any, to establish or maintain the validity, perfection and priority of the security interests granted herein.

(f) Costs and Expenses. Borrower shall pay on demand all reasonable and bona fide out-of-pocket costs, fees and expenses and other expenditures, including, but not limited to, reasonable attorneys' fees and expenses, paid or incurred by Lender to third parties incident to this Instrument or any other Loan Document (including, but not limited to, reasonable attorneys' fees and expenses in connection with the negotiation, preparation and execution hereof and of any other Loan Document and any amendment hereto or thereto, any release hereof, any consent, approval or waiver hereunder or under any other Loan Document, the making of any advance under the Note, and any suit to which Lender is a party involving this Instrument or the Property) or incident to the enforcement of the obligations secured hereby or the exercise of any right or remedy of Lender under any Loan Document.

(g) Compliance with Laws. Borrower shall maintain and keep the Property in compliance with all applicable laws.

(h) Annual Budget. Borrower shall prepare and submit (or shall cause Manager to prepare and submit) to Lender within thirty (30) days after a Cash Management Period and by November 30th of each year thereafter during the Term until such Cash Management Period has ended, for approval by Lender, which approval shall not be unreasonably withheld or delayed, a proposed pro forma budget for the Property for the succeeding calendar year (the "ANNUAL BUDGET", and each Annual Budget approved (or deemed approved pursuant to the terms of this Section 28(h)) by Lender is referred to herein as the "APPROVED ANNUAL BUDGET"), and, promptly after preparation thereof, any revisions to such Annual Budget. Lender's failure to approve or disapprove any Annual Budget or revision within 30 days after Lender's receipt thereof shall be deemed to constitute Lender's approval thereof. The Annual Budget shall consist of (i) an operating expense budget showing, on a month-by-month basis, in reasonable detail, each line item of the Borrower's anticipated operating income and operating expenses (on a cash and accrual basis), including amounts required to establish, maintain and/or increase any monthly payments required hereunder (and once such Annual Budget has been approved (or deemed approved pursuant to the terms of this Section 28(h)) by Lender, such operating expense budget shall be referred to herein as the "APPROVED OPERATING BUDGET"), and (ii) a Capital Expense budget showing, on a month-by-month basis, in reasonable detail, each line item of anticipated Capital Expenses (and once such Annual Budget has been approved (or deemed approved pursuant to the terms of this Section 28(h)) by Lender, such Capital Expense budget shall be referred to herein as the "APPROVED CAPITAL BUDGET"). Until such time that any Annual Budget has been approved (or deemed to have been approved pursuant to the terms of this Section 28(h)) by Lender, the prior Approved Annual Budget shall apply for all purposes hereunder (with such adjustments as reasonably determined by Lender (including increases for any non-discretionary expenses).

(i) Indebtedness. Borrower shall not directly or indirectly create, incur or assume any indebtedness other than the indebtedness evidenced by the Loan Documents and

unsecured trade payables incurred in the ordinary course of business relating to the ownership and operation of the Property which do not exceed, at any time, a maximum amount of 2% of the original amount of the Loan and are paid within sixty (60) days of the date incurred (collectively, "PERMITTED INDEBTEDNESS").

SECTION 29. COVENANTS WITH RESPECT TO SINGLE PURPOSE, INDEBTEDNESS, OPERATIONS, FUNDAMENTAL CHANGES OF BORROWER.

(a) Pertaining to Borrower. Borrower represents, warrants and covenants as of the date of hereof and until such time as the indebtedness secured hereby is paid in full, that Borrower

(i) does not own and will not own any assets other than the Property (including incidental personal property necessary for the operation thereof and proceeds therefrom) or direct or indirect ownership interests in Borrower (the "OWNERSHIP INTERESTS");

(ii) was and will be organized solely for the purpose of owning the Property and is not engaged and will not engage in any business, directly or indirectly, other than the ownership, management and operation of the Property or the Ownership Interests;

(iii) has not entered and will not enter into any contract or agreement with any partner, member, shareholder, trustee, beneficiary, principal or affiliate of any Borrower Party 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 such affiliate;

(iv) has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the obligations secured by this Instrument, and (ii) trade payables or accrued expenses incurred in the ordinary course of business of operating the Property which (1) do not exceed, at any time, (a) with respect to Borrower, a maximum amount of 2% of the original amount of the Principal, and (b) with respect to Sole Member, \$10,000 and (2) are paid within sixty (60) days of the date incurred;

(v) has not made and will not make any loan or advances to any person or entity;

(vi) has remained and will remain solvent and pay its own liabilities, indebtedness, and obligations of any kind from its own separate assets as the same shall become due;

(vii) has not, and without the unanimous consent of all of its partners, directors or members, as applicable, will not, with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest (A) file a bankruptcy, insolvency or reorganization petition or otherwise institute insolvency proceedings or otherwise seek any relief under any laws relating to the relief from debts or the protection of debtors generally, (B) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for such entity or for all or any portion of such

entity's properties, (C) make any assignment for the benefit of such entity's creditors or (D) take any action that might cause such entity to become insolvent;

(viii) has done or caused to be done and will do all things necessary to preserve its existence, and will not, nor will any partner, member, shareholder, trustee, beneficiary, or principal amend, modify or otherwise change its partnership certificate, partnership agreement, articles of incorporation, by-laws, articles of organization, operating agreement, or other organizational documents in any manner except as necessary to reflect Permitted Transfers;

(ix) has maintained and shall continuously maintain its existence and be qualified to do business in all states necessary to carry on its business, specifically including in the case of Borrower, the state where the Property is located;

(x) has conducted and operated and will conduct and operate its business as presently conducted and operated;

(xi) has maintained and will maintain books and records and bank accounts separate from those of its partners, members, shareholders, trustees, beneficiaries, principals, affiliates, and any other person or entity;

(xii) has been and will be, and at all times has held and will hold itself out to the public as, a legal entity separate and distinct from any other (including any of its partners, members, shareholders, trustees, beneficiaries, principals and affiliates), and not as a department or division of any entity;

(xiii) has not failed and will not fail to correct any known misunderstanding regarding the separate identity of such entity;

(xiv) has and 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;

(xv) has not and will not seek, acquiesce in, or suffer or permit its liquidation, dissolution or winding up, in whole or in part;

(xvi) has not entered and 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 of beneficial ownership of, any person or entity;

(xvii) has not commingled and will not commingle or permit to be commingled its funds or other assets with those of any other person or entity;

(xviii) 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 other person or entity;

(xix) except as expressly provided for in the Loan Documents, does not and will not hold itself out to be responsible for the debts or obligations of any other person or entity;

(xx) except as expressly provided for in the Loan Documents, has not and will not guarantee or otherwise become liable on or in connection with any obligation of any other person or entity;

(xxi) has not done or shall not do any act which would make it impossible to carry on its ordinary business;

(xxii) has not and will not possess or assign the Property for other than a business or company purpose;

(xxiii) has not held and shall not hold its assets other than in its name;

(xxiv) has paid and will pay its own liabilities, including the salaries of its own employees, out of its own funds and assets;

(xxv) has observed and will observe all partnership, corporate or limited liability company formalities, as applicable;

(xxvi) has maintained and will maintain an arm's-length relationship with its Affiliates;

(xxvii) has not and will not acquire obligations or securities of its partners, members or shareholders;

(xxviii) has allocated and will allocate fairly and reasonably shared expenses, including shared office space, and uses separate stationery, invoices and checks;

(xxix) except in connection with the Loan, has not pledged and will not pledge its assets for the benefit of any other Person;

(xxx) has not identified and will not identify its partners, members or shareholders, or any Affiliate of any of them, as a division or part of it;

(xxxi) has and will have no obligation to indemnify its partners, officers, directors, members or Special Members (as defined below), as the case may be, or has such an obligation that is fully subordinated to the Debt and will not constitute a claim against it if cash flow in excess of the amount required to pay the Debt is insufficient to pay such obligation; and

(xxxii) will consider the interests of its creditors in connection with all corporate, partnership or limited liability actions, as applicable.

(xxxiii) has not instituted and shall not institute proceedings to be adjudicated bankrupt or insolvent; consent to the institution of bankruptcy or insolvency proceedings against it; file a petition seeking, or consent to, reorganization or relief under any applicable federal or state law relating to bankruptcy; consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of it or a substantial part of its property; or make any assignment for the benefit of creditors; or admit in writing its inability to pay its debts generally as they become due;

(xxxiv) has and will have an operating agreement which provides that the business and affairs of Borrower shall be managed by or under the direction of a board of one or more directors designated by Sole Member,

(xxxv) has and will have an operating agreement which provides that, as long as any portion of the Debt remains outstanding, (A) upon the occurrence of any event that causes Sole Member to cease to be a member of Borrower (other than (x) upon an assignment by Sole Member of all of its limited liability company interest in Borrower and the admission of the transferee, if permitted pursuant to the organizational documents of Borrower and the Loan Documents, or (y) the resignation of Sole Member and the admission of an additional member of Borrower, if permitted pursuant to the organizational documents of Borrower and the Loan Documents), the person acting as the sole member of borrower (the "SPECIAL MEMBER") of Borrower shall, without any action of any Person and simultaneously with Sole Member ceasing to be a member of Borrower, automatically be admitted as the Special Member and shall preserve and continue the existence of Borrower without dissolution, (B) no Special Member may resign or transfer its rights as Special Member unless (x) a successor Special Member has been admitted to Borrower as a Special Member, and (y) such successor Special Member has also accepted its appointment as a Special Member and (C) except as expressly permitted pursuant to the terms of this Agreement, Sole Member may not resign and no additional member shall be admitted to Borrower; (v) has and will have an operating agreement which provides that, as long as any portion of the Debt remains outstanding, (A) Borrower shall be dissolved, and its affairs shall be wound up only upon the first to occur of the following: (x) the termination of the legal existence of the last remaining member of Borrower or the occurrence of any other event which terminates the continued membership of the last remaining member of Borrower in Borrower unless the business of Borrower is continued in a manner permitted by its operating agreement or the Delaware Limited Liability Company Act (the "DELAWARE ACT") or (y) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act; (B) upon the occurrence of any event that causes the last remaining member of Borrower to cease to be a member of Borrower or that causes Sole Member to cease to be a member of Borrower (other than (x) upon an assignment by Sole Member of all of its limited liability company interest in Borrower and the admission of the transferee, if permitted pursuant to the organizational documents of Borrower and the Loan Documents, or (y) the resignation of Sole Member and the admission of an additional member of Borrower, if permitted pursuant to the organizational documents of Borrower and the Loan Documents), to the fullest extent permitted by law, the personal representative of such member shall be authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in Borrower, agree in writing to continue the existence of Borrower and to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of Borrower, effective as of the occurrence of the event that terminated the

continued membership of such member in Borrower; (C) the bankruptcy of Sole Member or a Special Member shall not cause such member or Special Member, respectively, to cease to be a member of Borrower and upon the occurrence of such an event, the business of Borrower shall continue without dissolution; (D) in the event of dissolution of Borrower, Borrower shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of Borrower in an orderly manner), and the assets of Borrower shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Delaware Act; and (E) to the fullest extent permitted by law, each of Sole Member and the Special Members shall irrevocably waive any right or power that they might have to cause Borrower or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of Borrower, to compel any sale of all or any portion of the assets of Borrower pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in equity to cause the dissolution, liquidation, winding up or termination of Borrower.

(xxxvi) shall comply with all (and shall not suffer to be inaccurate any) of the assumptions, statements, certifications, representations, warranties and covenants regarding or made by Borrower contained in or appended to any opinion of Borrower's legal counsel delivered in connection with the transaction in which the Loan Documents are executed.

SECTION 30. NOTICE. All notices given under this Instrument shall be in writing, and sent to the other party at its address set forth below or at such other address as such party may designate by notice to the other party and shall be deemed given on the earliest of (i) actual receipt, duly evidenced by any commercially reasonable means, (ii) three Business Days after mailing, by certified or registered U.S. Mail, return receipt requested, postage prepaid, (iii) one Business Day after timely delivery, fee prepaid, to a national overnight delivery service (such as FedEx, Purolater Courier, U.P.S. Next Day Air), (iv) the date of transmission of notice sent by telecopier or facsimile machine (with a copy thereof sent in accordance with clause (ii) above) provided notice was transmitted on a Business Day, otherwise notice shall be deemed given on the next Business Day.

The applicable addresses are as follows:

To Borrower:

c/o Acadia Realty Trust  
1311 Mamaroneck Avenue  
White Plains, New York 10605  
Attention: Robert Masters, Esq.  
Telephone No.: (914) 288-8139  
Facsimile No.: (914) 428-3646

With a Copy to:

c/o Acadia Realty Trust  
1311 Mamaroneck Avenue  
White Plains, New York 10605  
Attention: Michael Nelsen

Telephone No.: (914) 288-8138  
Facsimile No.: (914) 288-2138

To Lender:

Greenwich Capital Financial Products, Inc.  
600 Steamboat Road  
Greenwich, Connecticut 06830  
Attention: Commercial Mortgage Loan Department  
Telephone No.: (203) 618-2373  
Facsimile No.: (203) 629-8363

With a Copy to:

Kaye Scholer LLP  
425 Park Avenue  
New York, New York 10022  
Attention: Stephen Gliatta, Esq.  
Telephone No.: (212) 836-8618  
Facsimile No.: (212) 836-8689

Borrower hereby requests that any notice of default or notice of sale in any judicial or nonjudicial foreclosure proceeding be mailed to Borrower at its address as specified herein.

SECTION 31. UNIFORM INSTRUMENT; GOVERNING LAW; SEVERABILITY. This form of instrument combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property and related fixtures and personal property. THIS INSTRUMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, AND MADE BY BORROWER AND ACCEPTED BY LENDER IN 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, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS INSTRUMENT 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 (WITHOUT REGARD TO PRINCIPLES OF CONFLICT LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS INSTRUMENT OR THE OTHER LOAN DOCUMENTS, AND THIS INSTRUMENT AND THE OTHER LOAN DOCUMENTS 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. In the event that any provision of this Instrument or the Note conflicts with applicable



law, such conflict shall not affect other provisions of this Instrument or the Note which can be given effect without the conflicting provisions, and to this end the provisions of this Instrument and the Note are declared to be severable. In the event that any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in this Instrument or in the Note, whether considered separately or together with other charges levied in connection with this Instrument and the Note, violates such law, and Borrower is entitled to the benefit of such law, such charge is hereby reduced to the extent necessary to eliminate such violation. The amounts, if any, previously paid to Lender in excess of the amounts payable to Lender pursuant to such charges as reduced shall be applied by Lender to reduce the principal of the indebtedness evidenced by the Note. For the purposes of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all indebtedness which is secured by this Instrument or evidenced by the Note and which constitutes interest, as well as all other charges levied in connection with such indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated term of the Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest computed thereby is uniform throughout the stated term of the Note.

#### SECTION 32. RESTRUCTURING LOAN, SECONDARY MARKET TRANSACTIONS.

(a) Secondary Market Transactions Generally. Lender shall have the right to engage in one or more Secondary Market Transactions (as defined in Section 15 hereof), and to structure and restructure all or any part of the Loan, including without limitation in multiple tranches, as a wraparound loan, or for inclusion in a REMIC or other Securitization (as defined in Section 15 hereof). Without limitation, Lender shall have the right to cause the Note and this Instrument to be split into a first and a second mortgage loan in whatever proportion Lender determines, and thereafter to engage in Secondary Market Transactions with respect to all or any part of the indebtedness and loan documentation. Borrower acknowledges that it is the intention of the parties that all or a portion of the Loan will be securitized and that all or a portion of the Loan (either itself, or in combination with other loans) will be rated by one or more Rating Agencies (as defined in Section 15 hereof). Borrower further acknowledges that additional structural modifications may be required to satisfy issues raised by any Rating Agencies.

(b) Cooperation; Limitations. Borrower shall use all reasonable efforts and cooperate reasonably and in good faith with Lender in effecting any such restructuring or Secondary Market Transaction. Such cooperation shall include without limitation, executing and delivering such reasonable amendments to the Loan Documents as Lender may request, provided however that no such amendment shall on an over-all basis modify (i) the interest rate payable under the Note; (ii) the stated maturity date of the Note, (iii) the amortization of the principal amount of the Note, (iv) any other economic terms of the Loan, or (v) the non-recourse provisions of the Loan. Such cooperation also shall include using best efforts to obtain such certificates and assurances from governmental entities and others as Lender may request. Borrower shall not be required to incur any cost in connection with such restructure or Secondary Market Transaction or to provide additional collateral that was not initially contemplated by the parties to effect any such restructuring or Secondary Market Transaction.

(c) Information. Borrower shall provide such information and documents relating to the Borrower and its principals, the manager of the Property, the Property and the business and operations of all of the foregoing as Lender may reasonably request in connection with any such Secondary Market Transaction. Lender shall be permitted to share all such information with the investment banking firms, Rating Agencies, accounting firms, law firms, other third party advisory firms, potential investors, and other parties involved in any proposed Secondary Market Transaction. Any such information may be incorporated into offering documents for the Secondary Market Transactions. Lender and all of the aforesaid third-party advisors and professional firms and investors shall be entitled to rely upon such information, and Borrower shall indemnify, defend, and hold harmless Lender from and against any losses, claims, damages and liabilities that arise out of or are based upon any actual or alleged untrue or misleading statement of material fact contained in such information or the actual or alleged omission of any material fact without which such information is materially misleading. Lender may publicize the existence of the Loan in connection with Lender's Secondary Market Transaction activities or otherwise.

(d) Additional Provisions. In any Secondary Market Transaction, Lender may transfer its obligations under the Loan Documents (or may transfer the portion thereof corresponding to the transferred portion of the obligations of Borrower), and thereafter Lender shall be relieved of any obligations under the Loan Documents arising after the date of said transfer with respect to the transferred interest. Each transferee investor shall be deemed to be a "Lender" under the applicable Loan Documents.

(e) Certain Definitions. As used herein, the following terms have the meanings indicated:

"LOAN": all obligations of Borrower under the Loan Documents.

"SECURITIZATION": mean a rated offering of securities representing direct or indirect interests in one or more mortgage loans or the right to receive income therefrom.

SECTION 33. SUCCESSORS AND ASSIGNS BOUND. This Instrument and the other Loan Documents shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever, subject to Section 15 hereof. Notwithstanding the foregoing, Lender shall have no liability under any of the Loan Documents for any matter arising after Lender transfers its interest in the Note to any successor. However, Lender shall continue to have the benefit of all rights having accrued under the Loan Documents theretofore, and all rights under all obligations of indemnification set forth in the Loan Documents for matters arising theretofore, then, and thereafter.

SECTION 34. FORBEARANCE BY LENDER NOT A WAIVER. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Lender of payment of any sum secured by this Instrument after the due date of such payment shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of

Lender's right to accelerate the maturity of the indebtedness secured by this Instrument, nor shall Lender's receipt of any awards, proceeds or damages, whether as proceeds of insurance or condemnation awards or otherwise, operate to cure or waive Borrower's default in payment of sums secured by this Instrument.

SECTION 35. ESTOPPEL CERTIFICATE. Borrower shall within ten days of a written request from Lender furnish Lender with a written statement, duly acknowledged, setting forth the sums secured by this Instrument and any right of set-off, counterclaim or other defense which exists against such sums and the obligations of this Instrument and attaching true, correct and complete copies of the Note, this Instrument and any other Loan Documents and any and all modifications, amendments and substitutions thereof.

SECTION 36. WAIVER OF JURY TRIAL. BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THE BORROWER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THE NOTE, THIS INSTRUMENT, ANY OTHER LOAN DOCUMENT, ANY OTHER AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY.

SECTION 37. MISCELLANEOUS.

(a) No Oral Change. No provision of this Instrument or any of the other Loan Documents may be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, except 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.

(b) Liability. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder and under the other Loan Documents shall be joint and several.

(c) Captions. The captions and headings of the Sections, paragraphs, and other provisions of this Instrument are for convenience only and are not to be used to interpret or define the provisions hereof.

(d) Duplicate Originals; Counterparts. This Instrument and any of the Loan Documents may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Instrument and any of the Loan Documents may be executed in multiple counterparts.

(e) Number and Gender. Whenever the context may require, any pronouns used herein or in any of the Loan Documents shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

(f) Subrogation. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the performance and repayment of the obligations secured hereby.

(g) Entire Agreement. The Note, this Instrument and the other Loan Documents constitute the entire understanding and agreement between Borrower and Lender pertaining to the subject matter hereof and thereof, and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto, including the prior agreements evidenced by any application or commitment issued in connection with this transaction. Borrower hereby acknowledges that, except as incorporated in writing in the Loan Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Loan Documents, except only to the extent expressly set forth in the Loan Documents.

(h) Action through Agents. In exercising any rights hereunder or under any of the Loan Documents or taking any actions provided for herein or therein, Lender may act through its employees, agents or independent contractors as authorized by Lender.

#### SECTION 38. STATE OF NEW YORK PROVISIONS.

(a) In the event of any inconsistencies between the terms and conditions of this Article 38 and the other terms and conditions of this Instrument, the terms and conditions of this Article 38 shall control and be binding.

(b) The terms, covenants and conditions contained herein shall be construed as affording to Lender rights additional to, and not exclusive of, the rights conferred under the provisions of Section 254 of the Real Property Law of the State of New York.

(c) In compliance with Section 13 and Article 3-A of the Lien Law of the State of New York, Borrower will receive all advances secured by this Instrument and will hold the right to receive all such advances as a trust fund to be applied first for the purpose of paying the cost of improvements, and will apply all such advances first to the payment of the cost of improvements before using any part of such advances for any other purpose. Borrower will indemnify and hold Lender harmless from and against any loss, liability, cost or expense, including, without limitation, any judgments, reasonable attorneys' fees, costs of appeal bonds and printing costs, arising out of or relating to any proceeding instituted by any claimant alleging a violation by Borrower of any applicable lien law provisions including, without limitation, any section of Article 3-A of the New York Lien Law.

(d) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE MAXIMUM AMOUNT OF PRINCIPAL INDEBTEDNESS

SECURED BY THIS INSTRUMENT AT THE TIME OF EXECUTION OR WHICH UNDER ANY CONTINGENCY MAY HEREAFTER BECOME SECURED HEREBY AT ANY TIME IS FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000.00) PROVIDED THAT SUCH LIMITATION SHALL NOT LIMIT THE SECURITY OF THIS INSTRUMENT WITH RESPECT TO (I) INTEREST ON THE AFORESAID MAXIMUM AMOUNT OF PRINCIPAL INDEBTEDNESS AT THE RATES SET FORTH IN THE NOTE, (II) SUMS TO PAY TAXES, (III) SUMS TO PAY PREMIUMS ON INSURANCE POLICIES COVERING THE MORTGAGED PROPERTY, (IV) EXPENSES INCURRED AFTER AN EVENT OF DEFAULT IN UPHOLDING OR ENFORCING THE LIEN OF THIS INSTRUMENT, INCLUDING, BUT NOT LIMITED TO, THE EXPENSES OF ANY LITIGATION TO PROSECUTE OR DEFEND THE RIGHTS AND LIEN CREATED BY THIS INSTRUMENT, (V) ANY AMOUNT, COSTS OR CHARGE TO WHICH LENDER BECOMES SUBROGATED, UPON PAYMENT, WHETHER UNDER RECOGNIZED PRINCIPLES OF LAW OR EQUITY, OR UNDER EXPRESS STATUTORY AUTHORITY, AND (VI) ANY OTHER AMOUNT SECURED BY THIS INSTRUMENT WHICH, IF NOT LIMITED BY SUCH LIMITATION, WOULD NOT INCREASE THE AMOUNT OF INSTRUMENT RECORDING TAXES, IF ANY, PAYABLE WITH RESPECT TO THIS INSTRUMENT.

(e) This Instrument does not cover real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each having their own separated cooking facilities.

(f) Reference is made to Section 291-f of the Real Property Law of New York for purposes of obtaining the benefit of said Section in connection with this Instrument.

(g) Upon the occurrence and during the continuance of an Event of Default and acceleration of the indebtedness secured hereby, Lender shall have the right to sell the Mortgaged Property, including, without limitation, pursuant to Article 14 of the New York Real Property Actions and Proceedings Law, as same may have been or may hereafter be amended.

(h) Lender shall, at the request of Borrower, deliver an assignment of this Instrument (together with the Note) in lieu of a release or satisfaction hereof upon the payment of the Debt in full, provided that (i) other than containing a representation that Lender shall not have previously transferred its rights under the Instrument and the amount of the then outstanding indebtedness secured by the Instrument, the instrument of assignment shall be without representation or warranty by, or recourse to, Lender, in any event whatsoever, (ii) the assignee shall be a third party that is refinancing the Loan, (iii) Lender is permitted by law to deliver an assignment in lieu of recording a satisfaction and (iv) Borrower shall pay all reasonable fees and expenses of Lender in connection with such assignment.

(i) It is expressly understood and agreed that this Instrument is given for the purpose of continuing the lien evidenced by the Existing Mortgages and modifying the terms, provisions, covenants and conditions of the Existing Mortgages, as provided herein. The terms, provisions, covenants and conditions of the Existing Mortgages are in their entirety modified and superseded by the terms, provisions, covenants and conditions of this Instrument. No part of the indebtedness evidenced by the Existing Notes shall be disturbed, discharged, canceled or impaired by the execution and delivery of the Note or this Instrument, it being the intention of

the parties hereto that such execution and delivery shall create no new or further principal indebtedness other than the principal indebtedness evidenced by the Existing Notes.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Instrument or has caused the same to be executed by its representatives thereunto duly authorized.

BORROWER:

ACADIA NEW LOUDON, LLC, a Delaware  
limited liability company

By:

-----  
Name: Robert Masters  
Title: Senior Vice President

LENDER:

GREENWICH CAPITAL FINANCIAL  
PRODUCTS, INC., a Delaware corporation

By:

-----  
Name:  
Title:

ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
 ) ss.:  
COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_ day of August in the year 2004, before me, a Notary Public in and for said State, personally appeared Robert Masters, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on this instrument, the person, or the entity upon behalf of which the person acted, executed this instrument.

\_\_\_\_\_ (insert city or political subdivision and state or county or other place acknowledgment taken).

-----  
Notary Public

(NOTARIAL SEAL)  
My commission expires:  
-----



Acknowledgment In New York State

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

On the \_\_\_ day of August in the year 2004, before me, the undersigned, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

-----  
(Signature of person taking Acknowledgment)

[SEAL]

Notary expiration date: \_\_\_\_\_

Acknowledgment Outside New York State

State of \_\_\_\_\_ )  
 )ss.:  
County of \_\_\_\_\_ )

On the \_\_\_ day of August in the year 2004, before me, the undersigned, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

\_\_\_\_\_ (insert city or political subdivision and state or county or other place acknowledgement taken).

-----  
(Signature of person taking Acknowledgment)

[SEAL]

Notary expiration date: \_\_\_\_\_

EXHIBIT A

LEGAL DESCRIPTION OF REAL ESTATE

(See Attached)

SCHEDULE 1

ORIGINAL MORTGAGES

(a) Mortgage dated as of 03/30/00 made by Acadia Realty Limited Partnership (f/k/a Mark Centers Limited Partnership) in favor of The Dime Savings Bank of New York, FSB, as administrative agent for itself and other lenders to secure \$9,375,000 and recorded 04/11/00 in Liber 3827, Page 512 in the Office of the Albany Clerk.

(b) Mortgage Modification Agreement dated 03/26/04 made by Acadia Realty Limited Partnership in favor of Washington Mutual Bank, FA, successor to the Dime Savings Bank of New York, FSB, as Administrative Agent for Lenders and recorded on 07/20/04 in Liber 4780 Page 1069 in the Office of the Albany Clerk.

(c) Assignment of Mortgage dated 08/13/04 made by Washington Mutual Bank, FA, in favor of Greenwich Capital Financial Products, Inc. and to be recorded in Liber \_\_\_\_, Page \_\_ in the Office of the Albany Clerk.

(d) Mortgage, Assignment of Leases and Rents and Security Agreement dated 08/13/04 made by Acadia New Loudon, LLC in favor of Greenwich Capital Financial Products and to be recorded in Liber \_\_\_\_, Page \_\_ in the Office of the Albany Clerk.

SCHEDULE 2

REQUIRED REPAIRS

None.

SCHEDULE 3

RENT ROLL

See Attached.

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AMENDED AND RESTATED TERM LOAN AGREEMENT

dated as of June 30, 2004

between

FLEET NATIONAL BANK  
("Lender")

Address of Lender: 1185 Avenue of the Americas, 16th Floor  
New York, New York 10036

FLEET NATIONAL BANK, as Administrative Agent  
("Administrative Agent")

Address of Lender: 1185 Avenue of the Americas, 16th Floor  
New York, New York 10036

and

HEATHCOTE ASSOCIATES, L.P. ("Gateway Borrower"),  
ACADIA TOWN LINE, LLC ("Town Line Borrower"),  
RD BRANCH ASSOCIATES, L.P. ("Branch Borrower"),  
RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP ("Abington Borrower") ,  
and  
RD METHUEN ASSOCIATES LIMITED PARTNERSHIP ("Methuen Borrower")

(Branch Borrower, Abington Borrower and Methuen Borrower, individually and  
collectively, as the context requires, "Borrower")

Address of Borrower: c/o Acadia Realty Trust  
1311 Mamaroneck Avenue, Suite 260  
White Plains, New York 10605

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LOCATION OF MORTGAGED PROPERTY:

The Town Line Property located at 80 Town Line Road, Rocky Hill, Connecticut;  
the Gateway Property located at 570 Shelbourne Road, Burlington, Vermont; the  
Branch Plaza Property located on Route 25 in Smithtown, New York; the Methuen  
Shopping Center Property located at the intersection of Rte. 113 and Interstate  
495 in Methuen, Massachusetts; and the Abington Towne Center Property located on  
Old York Road in Abington, Pennsylvania

THIS AMENDED AND RESTATED TERM LOAN AGREEMENT ("this Agreement") dated as of June 30, 2004 by and among HEATHCOTE ASSOCIATES, L.P., ACADIA TOWN LINE, LLC, RD BRANCH ASSOCIATES, L.P., RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, and RD METHUEN ASSOCIATES LIMITED PARTNERSHIP (collectively and individually, as the context requires, "Borrower") and FLEET NATIONAL BANK (in its individual capacity and not as Administrative Agent, "Fleet") and each other lender who may become a Lender pursuant to Section 8.07, each, a "Lender" and collectively, "Lenders") and FLEET NATIONAL BANK, as Administrative Agent for Lenders (together with its successors in such capacity, "Administrative Agent").

WHEREAS, pursuant to that certain Term Loan Agreement dated as of December 28, 2001 (the "BAM Agreement") by and among Lender, Branch Borrower, Abington Borrower and Methuen Borrower (collectively, the "BAM Borrowers"), Lender made a loan (the "BAM Loan") to the BAM Borrowers in the original principal amount of up to \$23,000,000;

WHEREAS, pursuant to that certain Term Loan Agreement dated as of April 16, 2002 by and among Lender and Gateway Borrower (the "Gateway Agreement"), Lender made a loan (the "Gateway Loan") to Gateway Borrower in the original principal amount of up to \$9,350,000;

WHEREAS, pursuant to that certain Note dated as of March 23, 1999 made by Town Line Borrower in favor of Lender in the original principal amount of up to \$7,000,000, as modified by the Note Modification Agreement dated April 24, 2003 by and between Lender and Town Line Borrower, as the same may have been heretofore modified, amended, extended and/or restated (the "Town Line Note"), Lender made a loan (the "Town Line Loan") to Town Line Borrower in the original principal amount of \$7,000,000;

WHEREAS, as of the date hereof the outstanding principal balance of the BAM Loan is \$11,919,444.37, the outstanding principal balance of the Town Line Loan is \$4,826,163.74 and the outstanding principal balance of the Gateway Loan is \$6,217,182.20 and, in addition, the Town Line Letter of Credit in the amount of \$1,415,465 has been issued and is outstanding; and

WHEREAS, Borrower has requested, and Lender and Administrative Agent have agreed, subject to the terms and conditions hereof, to consolidate the BAM Loan, the Town Loan Line and the Gateway Loan into a single loan (defined herein as the Loan), increase the principal amount thereof, extend the term thereof and to consolidate, amend and restate the terms of the BAM Agreement, the note executed pursuant to the BAM Agreement (the "BAM Note"), the Town Line Agreement, the note executed pursuant to the Town Line Agreement (the "Town Line Note") and the Gateway Note on the terms and conditions set forth herein and Lender is prepared to do so on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, Borrower, Administrative Agent and Lenders hereby agree that this Agreement amends and restates each of the BAM Agreement, the BAM Note, the Town Line Agreement, the Town Line Note and the Gateway Note in their entirety such that from and after the date hereof the Loan shall be evidenced, administered and repaid pursuant to and in accordance with the following terms:

## Article I

### DEFINITIONS AND RULES OF CONSTRUCTION

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

"Abington Towne Center Property" -- The fee interest in real property located on Old York Road in Abington, Pennsylvania owned by Abington Borrower.

"Additional Interest" -- Any and all sums that shall become due and payable by Borrower under the Hedging Agreement.

"Additional Advance" -- Shall have the meaning set forth in Section 4.02 of this Agreement.

"Anchors"-- Shall mean, with respect to each Property, (i) Stop & Shop with respect to the Town Line Property, (ii) Shaw's with respect to the Gateway Shopping Center Property, (iii) Waldbaums, with respect to the Branch Plaza Property; (iv) Wal-Mart, with respect to the Methuen Shopping Center Property; and (v) T.J. Maxx, with respect to the Abington Towne Center Property.

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

"Applicable Margin" -- With respect to the Prime Based Rate, 0.45% per annum; and with respect to the LIBO Based Rate, 1.05% per annum from the date hereof through and including December 31, 2004 and 1.40% per annum thereafter.

"Assignee" -- Has the meaning specified in Section 8.07.

"Assignment and Assumption Agreement" -- An Assignment and Assumption Agreement, substantially in the form of EXHIBIT A, pursuant to which a Lender



assigns and an Assignee assumes rights and obligations in accordance with Section 8.07.

"Authorization Letter" -- The letter in the form of EXHIBIT F.

"Branch Plaza Property" -- The leasehold interest in real property located on Route 25 in Smithtown, New York owned by Branch Borrower.

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

"Code" -- The Internal Revenue Code of 1986.

"Counterparty" -- Fleet National Bank, in its capacity as a party to the Hedging Agreement, and its successors and assigns in such capacity.

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

"DSC Test" -- Shall have the meaning set forth in Section 2.04 of this Agreement.

"Dollars" and "\$" -- Lawful money of the United States of America.

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

"ERISA" -- The Employee Retirement Income Security Act of 1974, including the rules and regulations promulgated thereunder.

"ERISA Affiliate" -- Any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as Borrower and/or Guarantor, or any trade or business which is under common control (within the meaning of Section 414(c) of the Code) with Borrower and/or Guarantor, or any organization which is required to be treated as a single employer with Borrower and/or Guarantor under Section 414(m) or 414(o) of the Code.

"Event of Default" -- Has the meaning given to such term in the Mortgage.

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

"Financial Statements" -- Statements of the assets, liabilities (direct or contingent), income, expenses and cash flow of Borrower and Guarantor, prepared in

accordance with generally accepted accounting principles in the United States as in effect from time to time and consistently applied.

"Fronting Fee" -- Shall have the meaning set forth in Section 8.20 of this Agreement.

"Gateway Property" -- The fee interest in real property located at 570 Shelbourne Road, Burlington, Vermont owned by Gateway Borrower.

"Governmental Authorities" -- The United States, the state in which the Property is located and any political subdivision, agency, department, commission, board, bureau or instrumentality of either of them, including any local authorities, which exercises jurisdiction over Borrower, Guarantor, the Property or the Improvements.

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

"Guaranty" -- The guaranty(ies) of all or part of Borrower's obligations, to be executed by Guarantor.

"Hazardous Materials" -- Has the meaning given to such term in the Mortgage.

"Hedging Agreement" -- The ISDA Master Agreement or other documentation with respect to an interest rate hedging transaction entered into by and between Guarantor and Counterparty dated as of August 23, 2001, as assigned to BAM Borrower by Guarantor, as any of the same may be amended, modified or supplemented from time to time, including any and all "confirmations" under any thereof.

"Improvements" -- Shall mean, with respect to the indicated Property: (i) a one story neighborhood shopping center containing 125,840 square feet with respect to the Branch Plaza Property, (ii) a one story neighborhood shopping center containing 129,494 square feet with respect to the Methuen Shopping Center Property, (iii) a multi-level shopping center containing 63,889 square feet with respect to the Abington Towne Center Property, (iv) a one-story neighborhood shopping center containing 100,713 square feet with respect to the Gateway Property and (v) a one-story neighborhood shopping center containing 206,178 square feet with respect to the Town Line Property.

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

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

Lender	Individual Loan Commitment
-----	-----
Fleet	\$45,900,000

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

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

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

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

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

"Lender's Counsel" -- Schiff Hardin LLP, 623 Fifth Avenue, 28th Floor, New York, New York 10022.

"Lenders L/C Fee" -- Shall have the meaning set forth in Section 8.20 of this Agreement.

"Letter of Credit" -- Shall have the meaning set forth in Section 8.20 of this Agreement.

"LIBO Rate" -- The rate per annum (at Administrative Agent's option, rounded up, if necessary, to the nearest 1/32 of 1%) that appears on Dow Jones Page 3750 at approximately 11:00 a.m. (London time) on the date (the "LIBOR Determination Date") two (2) Business Days prior to the first day of the applicable Interest Period, for amounts comparable to the LIBO Rate Request Amount for the same period of time as the Interest Period selected by Borrower in the LIBO Rate

Request; or, if such rate does not appear on Dow Jones Page 3750 as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date, the rate (at Administrative Agent's option, rounded up, if necessary, to the nearest 1/32 of 1%) for deposits in Dollars for a period comparable to the applicable Interest Period that appears on the Reuters Screen LIBO Page as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date. If such rate does not appear on either Dow Jones Page 3750 or on the Reuters Screen LIBO Page as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date, the LIBO Rate for the Interest Period will be determined on the basis of the offered rates for deposits in Dollars for an amount comparable to the LIBO Rate Request Amount for the same period of time as such Interest Period that are offered by four (4) major banks in the London interbank market at approximately 11:00 a.m. (London time) on the LIBOR Determination Date. Administrative Agent will request that the principal London office of each of the four (4) major banks provide a quotation of its Dollar deposit offered rate. If at least two (2) such quotations are provided, the LIBO Rate will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the LIBO Rate will be determined on the basis of the rates quoted for loans in Dollars to leading European banks for amounts comparable to such LIBO Rate Request Amount for the same period of time as such Interest Period offered by major banks in New York City at approximately 11:00 a.m. (New York time) on the LIBOR Determination Date. In the event that Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the LIBO Rate cannot be determined. For purposes of the foregoing definition, "Dow Jones Page 3750" means the display designated as "Page 3750" on the Dow Jones Markets Service (or such other page as may replace Page 3750 on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollar deposits); and "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying interbank rates from London in Dollars).

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

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

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

"Loan Allocation" -- Shall mean, with respect to the indicated Property: (i) \$12,750,000 for the Branch Plaza Property, (ii) \$6,500,000 for the Methuen Shopping Center Property, (iii) \$5,720,000 for the Abington Towne Center Property, (iv) \$11,030,000 for the Town Line Property and (v) \$9,900,000 for the Gateway Property .

"Loan Amount" -- \$45,900,000 (subject to change in accordance with the terms of this Agreement).

"Loan Documents" -- This Agreement, the Note, the Mortgage, the Indemnity, the Authorization Letter, Uniform Commercial Code financing statements in respect of the Mortgaged Property and any other collateral given to Lender as security for the Loan, and any other documents which evidence or secure the Loan.

"Loan to Value Test" -- Shall have the meaning set forth in Section 2.03 of this Agreement.

"Major Lease" -- Any lease for space in excess of 5,000 square feet of the rentable area of the Improvements.

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

"Maturity Date" -- June 29, 2012.

"Methuen Shopping Center Property" -- The fee and leasehold interest in real property located at the intersection of Rte. 113 and Interstate 495 in Methuen, Massachusetts owned by Methuen Borrower.

"Mortgage" -- Those certain mortgages, assignments of leases and rents and security agreements described in, and modified by, those certain Mortgage (or Deed of Trust) Modification Agreements, dated the date hereof, by and between each of the Borrowers and Administrative Agent Lender to secure the payment and

performance of Borrower's obligations hereunder, under the Note and otherwise in respect of the Loan.

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

"Multiemployer Plan" -- Any plan defined as such in Section 3(37) of ERISA.

"Net Operating Income"

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

minus

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

"Note"; "Notes" -- Have the respective meanings specified in Section 2.06.

"Participant"; "Participation" -- Have the respective meanings specified in Section 8.07.

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

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

"Premises Documents" -- Has the meaning given to such term in the Mortgage.

"Prime Based Rate" -- The Applicable Margin plus the greater of (i) the Federal Funds Rate plus 1/2 of 1% per annum or (ii) the prime commercial lending rate as announced from time to time by Administrative Agent at Administrative Agent's Office (it being understood that said "prime commercial lending rate" is a reference rate and does not necessarily represent the lowest or best rate being

charged to customers), each change in said rates to be effective, without notice or demand of any kind, as of the date of such change.

"Principal Amount" -- At any time, the aggregate outstanding principal amount of the Notes.

"Property" means, individually and collectively, as the context requires, each of Abington Towne Center Property, Branch Plaza Property and Methuen Shopping Center Property.

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

Lender	Pro Rata Share
-----	-----
Fleet	100%

"Regulation D" and "Regulation U" -- Respectively, Regulation D and Regulation U of the Board of Governors of the Federal Reserve System.

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

"Release Price" -- Shall mean, with respect to the indicated Property: (i) \$12,155,000 for the Town Line Plaza Property, (ii) \$10,900,000 for the Gateway Shopping Center, (iii) \$14,050,000 for the Branch Plaza Property, (iv) \$6,920,000 for the Methuen Shopping Center Property, and, (v) \$6,290,000 for the Abington Towne Center Property.

"Required Lenders" -- At any time, those Lenders holding at least 66-2/3% of the Principal Amount.

"Reserve Requirement" -- The rate at which reserves (including any marginal, supplemental or emergency reserves) are actually required to be maintained by any Lender or any Lender's respective Participants, if any, under Regulation D against "Euro-Currency Liabilities", as such quoted term is used in Regulation D. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lender or any Lender's respective Participants, if any, by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the LIBO

Based Rate is to be determined as provided in this Agreement or (ii) any category of extensions of credit or other assets which includes loans the interest rate on which is determined on the basis of rates used in determining the LIBO Rate.

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

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

"Town Line L/C" -- Shall have the meaning set forth in Section 8.20 of this Agreement.

"Town Line Property" -- The fee interest in real property located at 80 Town Line Road, Rocky Hill, Connecticut owned by Town Line Borrower.

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

"Unrestricted Cash and Cash Equivalents" means the following assets of Guarantor, in each case, not subject to any lien, security interest or restriction: (i) cash, (ii) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than six (6) months from the date of acquisition, (iii) shares of money market funds invested in the securities described in clause (ii) above and (iv) Dollar denominated time deposits or certificates of deposit of any domestic United States commercial bank whose long-term debt is rated at least A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or A2 by Moody's Investors Service, Inc. and having capital and surplus in excess of \$500,000,000.

Section 1.02. Rules of Construction. Except as expressly provided otherwise, when used in this Agreement (i) "or" is not exclusive, (ii) "hereunder", "herein", "hereof" and the like refer to this Agreement as a whole, (iii) "Article", "Section", "Schedule" and "Exhibit" refer to Articles, Sections, Schedules and Exhibits of this Agreement, (iv) terms defined in the singular shall have a correlative meaning when used in the plural and vice versa, (v) a reference to a Law includes any amendment, modification or supplement to, or replacement of, such Law and (vi) a reference to a document shall mean such document as the same may be amended, modified or supplemented from time to time in accordance with its terms. The cover page and the Exhibits and Schedules, if any, annexed hereto are incorporated as a part of this Agreement with the same effect as if set forth in the body hereof. Any table of contents and all captions and headings herein are for convenience only and shall not affect the interpretation or construction hereof.



## ARTICLE II

### THE LOAN

Section 2.01. Generally. Subject to the provisions of this Agreement, and on the basis of the representations, warranties and covenants made herein and in the other Loan Documents, each Lender severally agrees to advance its Pro Rata Share of the Loan and Borrower will accept the Loan Amount in periodic disbursements as hereinafter set forth and upon the satisfaction of the conditions set forth in Article IV hereof.

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

Section 2.03. Purpose. The Loan shall be made for the business purpose of financing the Mortgaged Property. Borrower covenants and agrees that in no event shall proceeds of the Loan, or any part thereof, be used, directly or indirectly, for any other purpose, for any illegal purpose or for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or in connection with any hostile acquisition or for any illegal purpose.

Section 2.04. Advances. The Initial Advance shall be in the amount of \$16,750,500 and shall be made upon satisfaction of the conditions set forth in Section 4.01. Subsequent advances shall be made no more frequently than once a month thereafter, upon satisfaction of the conditions set forth in Section 4.02. In no event shall Lenders be obligated to make an advance hereunder if (i) the Principal Amount of the Loan following such advance (the "Post Advance Amount") would exceed 65% of the appraised value of the Mortgaged Property (the "Loan to Value Test") as determined by an independent appraisal conducted at Borrower's expense by an appraiser selected by Administrative Agent, which appraisal shall be conclusive as to value absent manifest error, provided, however, that Borrower shall not be obligated to pay for more than one (1) appraisal per any twelve (12) consecutive month period so long as no Event of Default exists or (ii) if Net Operating Income is not 130% or more of debt service on the Initial Advance or the Post Advance Amount, as the case may be (the "DSC Test"). For purposes of determining compliance with the DSC Test, Net Operating Income shall be calculated on a semi-annual basis using six months' actual figures and the projected figures for the next succeeding six months and debt service shall be calculated using an interest rate equal to the greater of (a) the actual interest rate; (b) the Treasury Rate plus 200 basis points or (c) an interest rate equal to 8.0% and a (25) year equal payment self liquidating amortization schedule. For purposes of determining compliance with the Loan to Value Test, a new appraisal shall not be required for each advance provided the appraisal required in connection therewith shall not be more than twelve (12) months old

and any required reappraisals shall be made at Borrower's expense, subject to the limitation set forth in clause (i) above.

Section 2.05. Procedure for Advance. Borrower shall submit to Administrative Agent a request for the advance of proceeds of the Loan no later than 10:00 a.m. (New York time) on the date ten (10) Business Days, prior to the date the advance is to be made. Administrative Agent, upon its receipt and approval of the request for advance, will so notify all Lenders either by telephone or by facsimile. Not later than 10:00 a.m. (New York time) on the date set for such advance, each Lender shall, through its Applicable Lending Office and subject to the conditions of this Agreement, make the amount to be advanced by it on such day available to Administrative Agent, at Administrative Agent's Office and in immediately available funds for the account of Borrower. The amount so received by Administrative Agent shall, subject to the conditions of this Agreement, be made available to Borrower, in immediately available funds, by Administrative Agent's crediting an account of Borrower designated by Borrower in its request for advance.

Section 2.06. Notes. The Loan shall be evidenced by notes of Borrower in the form of EXHIBIT D, duly completed and executed by Borrower (one for each Lender in an amount equal to such Lender's Individual Loan Commitment, payable for the account of such Lender's Applicable Lending Office), in an aggregate principal amount equal to the Loan Amount (such notes, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time (including, without limitation, any substitute notes pursuant to Section 8.07), each, a "Note" and collectively, the "Notes"). The Notes shall mature, and all outstanding principal and other sums thereunder shall be paid in full, on the Maturity Date, as the same may be accelerated or extended.

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

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

Except to the extent otherwise provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other

than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest and, if applicable, fees, as the case may be.

Each Lender's interest in the Loan shall be of equal priority with the interest of each other Lender.

Section 2.08. Interest. Borrower shall have the option, subject to the terms and conditions set forth in this Agreement, of paying interest on the Principal Amount or portions thereof at the Prime Based Rate or the LIBO Based Rate. If Borrower desires the application of the LIBO Based Rate, it shall submit a LIBO Rate Request to Administrative Agent, which LIBO Rate Request shall be irrevocable, subject to Borrower's right to convert the rate of interest payable under the Notes with respect to any LIBOR Amount from the LIBO Based Rate to the Prime Based Rate as provided in Section 2.10. Administrative Agent shall, on the day of its receipt of the LIBO Rate Request from Borrower, notify each Lender by either telephone or by facsimile of the specified LIBOR Amount and the amount of the Lender's portion thereof, the Interest Period and date of commencement thereof, and the interest rate applicable to such LIBOR Amount. Each LIBO Rate Request shall be applicable to the Notes in accordance with the Lenders' respective Pro Rata Shares, so that, barring a conversion or suspension of the LIBO Based Rate by one or more, but not all, Lenders, pursuant to Article III, the outstanding principal amounts of each of the Notes shall contain segments bearing interest at the Prime Based Rate and/or LIBO Based Rate(s) under particular Interest Period(s), each of which segments shall correspond to a proportional segment of the outstanding principal amount of every other Note. In the event that Borrower fails to submit a LIBO Rate Request with respect to a LIBOR Amount not later than 12 Noon (New York time) three (3) Business Days prior to the last day of the relevant Interest Period, the LIBOR Amount in question shall bear interest, commencing at the end of such Interest Period, at the Prime Based Rate.

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

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

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

Section 2.10. Conversions of Interest Rate. Provided there exists no Event of Default, Borrower shall have the right to convert, from time to time, the rate of interest payable under the Notes with respect to any portion of the Principal Amount to the LIBO

Based Rate or the Prime Based Rate, subject to the terms of this Agreement (including, without limitation, the payment of all amounts due in connection with any such conversion from the LIBO Based Rate on a date other than the last day of an applicable Interest Period) and provided that, in the case of a conversion from the LIBO Based Rate, the entire LIBOR Amount is the subject of the conversion. Conversions shall be accomplished (i) in the case of a conversion from the Prime Based Rate to the LIBO Based Rate, by Borrower's submission of a LIBO Rate Request in accordance with Section 2.08 or (ii) in the case of a conversion from the LIBO Based Rate to the Prime Based Rate, by Borrower's request to Administrative Agent by telephone (to be promptly confirmed in writing), to be received by Administrative Agent at least three (3) Business Days prior to the date specified for such conversion, specifying the LIBOR Amount with respect to which the interest rate is to be converted and the date of the conversion. On the date of its receipt of such request, Administrative Agent shall notify each Lender thereof either by telephone or by facsimile.

Section 2.11. Inapplicability of LIBO Based Rate. Any portion of the Principal Amount to which the LIBO Based Rate is not or cannot pursuant to the terms of this Agreement be applicable shall bear interest at the Prime Based Rate. Upon the occurrence of an Event of Default, the entire Principal Amount shall, at the option of the Required Lenders, immediately and without notice to Borrower, bear interest at the Prime Based Rate. In addition, following the occurrence of an Event of Default, Borrower shall have no right to submit a LIBO Rate Request with respect to any LIBOR Amount for which the current Interest Period is expiring. The foregoing provisions shall not be construed as a waiver by Lenders of their right to pursue any other remedies available to them under the Mortgage or any other Loan Document nor shall they be construed to limit in any way the application of the Default Rate as provided in the Mortgage.

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

Section 2.13. Voluntary Prepayments. Borrower may, upon at least fifteen (15) Business Days' notice (which notice shall be irrevocable) to Administrative Agent, prepay the Principal Amount, in whole or part, without premium or penalty; provided, however, that (i) any partial prepayment under this Section shall be in a principal amount of not less than \$1,000,000 and an integral multiple of \$100,000, (ii) prepayment of a LIBOR Amount other than on the last day of the applicable Interest Period shall be subject to the provisions of Section 3.03 and (iii) each prepayment under this Section shall include all interest accrued on the amount of principal prepaid (and all late charges and other sums that may be payable) through the date of prepayment. Amounts prepaid may not be reborrowed.

Section 2.14. Annual Commitment Reduction/Required Amortization. Commencing on the first day of June, 2005 and on the first day of each June thereafter until the Maturity Date both the Loan Amount and the aggregate amount of the Lender's Individual Loan Commitment shall reduce by the amount set forth on Schedule A

attached hereto and, to the extent the Loan Amount as so reduced would exceed the Principal Amount, Borrower shall, on the date of reduction make a mandatory principal payment in the amount of such excess such that, at no time, shall the Principal Amount exceed the Loan Amount as reduced from time to time. After any release of a Property, in accordance with Section 8.18 or otherwise, Administrative Agent shall recalculate the required annual amortization payments due hereunder in accordance with a constant annual payment mortgage schedule based on the Principal Amount at such time and an assumed interest rate of 8% per annum, which would fully amortize over a term equal to (x) twenty-five (25) years less (y) the number of full twelve (12) month periods elapsed since the date hereof. Administrative Agent shall provide Borrower with a schedule of such recalculated amortization payment schedule upon request and such schedule shall be final and binding upon Borrower absent manifest error.

### ARTICLE III

#### YIELD MAINTENANCE ETC.

Section 3.01. Additional Costs and Other Effects of Regulatory Changes; Taxes. Borrower shall pay directly to a Lender, promptly upon demand, such amounts as are necessary to compensate such Lender for Additional Costs resulting from any Regulatory Change which (i) subjects such Lender to any tax, duty or other charge with respect to the Loan or its Note, or changes the basis of taxation of any amounts payable to such Lender under the Loan or its Note (other than taxes imposed on the overall net income of such Lender or of its Applicable Lending Office by the jurisdiction in which such Lender's principal office or such Applicable Lending Office is located), (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender, (iii) imposes on such Lender or, in the case of LIBOR Amounts, on the London interbank market, any other condition affecting the Loan or its Note, or any of such extensions of credit or liabilities or (iv) imposes any capital adequacy requirements on such Lender by virtue of the Loan or the Notes. Such Lender will notify Borrower (with a copy to Administrative Agent) of any event occurring after the date hereof which would entitle it to compensation pursuant to this paragraph as promptly as practicable after it obtains knowledge thereof and determines to request such compensation, and will designate a different Applicable Lending Office for those portions of the Loan affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in such Lender's sole opinion, be disadvantageous to it, provided that such Lender shall have no obligation to so designate an Applicable Lending Office located in the United States.

Without limiting the effect of the immediately preceding paragraph, in the event that, by reason of any Regulatory Change, (i) a Lender incurs Additional Costs based on or measured by the excess above a specified level of the amount of (1) a category of deposits or other liabilities of such Lender which includes deposits by reference to which the LIBO Rate is determined as provided in this Agreement and/or (2) a category of extensions of credit or other assets of such Lender which includes loans the interest on

which is determined on the basis of rates referred to in the definition of "LIBO Rate" in Section 1.01, (ii) a Lender becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold or (iii) it shall be unlawful or impossible for a Lender to make or maintain its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate, then such Lender's obligation to make or maintain its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate (and Borrower's right to request the same) shall be suspended and such Lender shall give notice thereof to Borrower (with a copy to Administrative Agent) and, upon the giving of such notice, interest payable on the affected Note shall be converted to the Prime Based Rate, unless such Lender may lawfully continue to maintain its Pro Rata Share of the Loan (or any portion thereof) then bearing interest at the LIBO Based Rate to the end of the current Interest Period(s), at which time the interest rate on the affected Note shall convert to the Prime Based Rate. If subsequent to any conversion to the Prime Based Rate as provided above such Lender determines that such Regulatory Change has ceased to be in effect, such Lender will so notify Borrower (with a copy to Administrative Agent), and Borrower may convert the rate of interest payable under the affected Note with respect to those portions of the Principal Amount bearing interest at the Prime Based Rate to the LIBO Based Rate by submitting a LIBO Rate Request in respect thereof and otherwise complying with the provisions of this Agreement with respect thereto.

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

Section 3.02. Limitations on Availability of LIBO Based Rate. Anything herein to the contrary notwithstanding, if, at the time of or prior to the determination of the LIBO Based Rate in respect of any LIBO Rate Request Amount as provided in this Agreement, (i) Administrative Agent determines (which determination shall be conclusive, so long as made on a reasonable basis) that by reason of circumstances affecting the London interbank market generally, adequate and fair means do not or will not exist for determining the LIBO Rate applicable to an Interest Period or (ii) a Lender determines (which determination shall be conclusive, so long as made on a reasonable basis) that the LIBO Rate will not accurately reflect the cost to such Lender of making or maintaining its Pro Rata Share of the Loan (or any portion thereof) at the LIBO Based Rate, then Administrative Agent, in the case of the circumstances described in clause (i) above, or such Lender, in the case of the circumstances described in clause (ii) above, shall give Borrower prompt notice thereof (with a copy to Administrative Agent in the case of the notice from such Lender), and the LIBO Rate Request Amount in question, in the case of the circumstances described in clause (i) above, or such Lender's portion thereof, in the case of the circumstances described in clause (ii) above, shall bear interest, or continue to bear interest, as the case may be, at the Prime Based Rate. If at any time subsequent to Administrative Agent's or such Lender's giving of such notice, Administrative Agent or such Lender, as the case may be, determines that because of a change in circumstances the LIBO Based Rate is again available to Borrower, Administrative Agent or such Lender, as the case may be, shall so notify Borrower (with

a copy to Administrative Agent, in the case of the notice from such Lender) and Borrower may convert the rate of interest payable under the Notes or such Lender's Note, as the case may be, from the Prime Based Rate to the LIBO Based Rate by submitting a LIBO Rate Request in respect thereof and otherwise complying with the provisions of this Agreement with respect thereto.

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

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

ARTICLE IV

CONDITIONS PRECEDENT

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

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

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

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

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

(1) Loan Fees and Expenses. (i) A non-refundable facility fee in respect of this Loan (without credit for any amounts paid under existing credit facilities refinanced hereby) in the amount of \$573,750, to be retained by Lender whether or not any advances are made hereunder and (ii) all fees and expenses incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of Lenders' Counsel, Lenders' environmental and insurance consultants, and the preparer of the appraisal required by paragraph (4) below);

(2) Loan Documents. This Agreement and each of the other Loan Documents, duly executed by the parties thereto, and, where applicable, duly acknowledged and in proper form for recording or filing, as the case may be, and all necessary or desirable recordings and filings shall have been duly made;

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

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



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

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

(7) Title Policy. A paid title insurance policy, in the amount of (i) \$7,323,300 with respect to the Methuen Shopping Center Property; (ii) \$15,000,000 with respect to the Branch Plaza Property; (iii) \$6,578,000 with respect to the Abington Towne Center Property, (iv) \$12,421,800 with respect to the Town Line Property, and (v) \$11,154,900 with respect to the Gateway Property in ALTA 10-17-92 or other form approved by Lender's Counsel with such endorsements as shall be reasonably requested by Lender's Counsel (including "tie-in" endorsements aggregating liability under such policies to the extent permitted by Law), issued by the Title Insurer which shall insure the Mortgage to be a valid lien on Borrower's interest in the premises free and clear of all defects and encumbrances except those previously received and approved by Lender's Counsel, and shall contain (i) full coverage against mechanics' liens (filed and inchoate), (ii) a reference to the survey but no survey exceptions except those theretofore approved by Lender's Counsel, (iii) such affirmative insurance and endorsements as Lender's Counsel may require, and (iv) if any such policy is dated earlier than the date of the disbursement of the Loan, an endorsement to such policy, in form approved by Lender's Counsel, redating the policy and setting forth no additional exceptions except those approved by Lender's Counsel; and shall be accompanied by such reinsurance agreements between the Title Insurer and title companies approved by Lender, in ALTA 1994 facultative form, as Lender may require;

(8) Survey. A current, as-built survey of the Property, certified to Lender and the Title Insurer showing (i) the location of the perimeter of the Property by courses and distances, (ii) all easements, rights-of-way, and utility lines referred to in the title policy required by this Agreement or which actually service or cross the Property, (iii) the lines of the streets abutting the Property and the width thereof, and any established building and setback lines, (iv) encroachments and the extent thereof upon the Property, (v) the Improvements and the relationship thereof by distances

to the perimeter of the Property, established building, setback and street lines and (vi) if the Property is described as being on a filed map, a legend relating the survey to said map, provided that Administrative Agent hereby acknowledges that the surveys (other than with respect to the Gateway Property) received on or prior to the date hereof shall satisfy this requirement notwithstanding the fact that they may not be current;

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

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

(11) Counsel Opinions. Opinions of Borrower's counsel and local counsel (and, if required by Lender, of a local counsel selected by Lender or Lender's Counsel) to the effects set forth on EXHIBIT C;

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

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

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

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

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

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

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

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

(13) Intentionally Omitted;

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

(15) Intentionally Omitted;

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

(17) Intentionally Omitted; and

(18) Additional Documentation. Such other approvals, opinions or documents as Lender may reasonably request including, but not limited to, (i) a current certified rent roll for the Mortgaged Property and tenant estoppel letters for all Anchors, (ii) ground lessor estoppel certificates

from the ground lessor with respect to the Branch Plaza Property and the Methuen Shopping Center Property and (iii) current financial statements of Guarantor showing a minimum net worth of \$100,000,000 (the "Net Worth Requirement") and a minimum Unrestricted Cash and Cash Equivalents of \$7,000,000 (the "Liquidity Requirement").

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

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

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

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

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

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

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

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

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

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

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

Section 5.01. Due Formation, Power and Authority. If it, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation, is qualified to do business (if required) and is in good standing in the jurisdiction in which the Property is located, and has full power and authority to consummate the transactions contemplated hereby and to execute, deliver and perform this Agreement and any other Loan Document to which it is a party.

Section 5.02. Legally Enforceable Agreements. Each Loan Document to which Borrower or Guarantor is a party is a legal, valid and binding obligation of such party, enforceable against Borrower or Guarantor, as the case may be, in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar Laws affecting creditors' rights generally.

Section 5.03. Financial Statements. Financial Statements have been heretofore delivered to Lenders which are true, correct and current in all respects and which fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof; no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no borrowings (other than the Loan) which might give rise to a lien or claim against the Mortgaged Property or proceeds of the Loan have been made by Borrower or others since the dates thereof.

Section 5.04. Compliance With Laws; Payment of Taxes. Borrower and Guarantor are in compliance with, and the transactions contemplated hereby and by the other Loan Documents do not and will not violate any provision of, or require any filing, registration, consent or approval under, any Law presently in effect having applicability to Borrower or Guarantor; Borrower has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies due and payable (including those in respect of the Mortgaged Property), including interest and penalties.

Section 5.05. Litigation. There are no actions, suits or proceedings pending or threatened against or affecting it, Guarantor, the Mortgaged Property, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Administrative Agent and Lenders in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become

payable under the Notes or Guaranty or to otherwise pay and perform their respective obligations in connection with the Loan; to Borrower's knowledge, neither it nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

Section 5.06. No Conflicts or Defaults. The consummation of the transactions contemplated hereby and the performance hereof and of the other Loan Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which either of them may be bound or affected.

Section 5.07. Solvency. Borrower and Guarantor are, and upon consummation of the transactions contemplated by this Agreement, the other Loan Documents and any other related documents, will be, solvent.

Section 5.08. Governmental Regulation. Borrower is not subject to regulation under the Investment Company Act of 1940 or any Law limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.09. Insurance. Borrower has in force, and has paid the premiums in respect of, all of the insurance required by the Mortgage.

Section 5.10. ERISA. Neither Borrower nor Guarantor nor any other Person, including any fiduciary, has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) which could subject Borrower or Guarantor or any Person whom they have an obligation to indemnify to any tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA; neither Borrower nor Guarantor nor any ERISA Affiliate maintains, contributes to or has any liability with respect to a Multiemployer Plan or any other plan subject to Title IV of ERISA; each Employee Benefit Plan is administered in accordance with its terms and in compliance with all applicable Laws, including any reporting requirements; each Pension Plan intending to qualify under Section 401(a) or 401(k) of the Code does so qualify; there is no lien outstanding or security interest given in connection with a Pension Plan; neither Borrower nor Guarantor nor any ERISA Affiliate has any liability with respect to an accumulated funding deficiency (whether or not waived) under Section 412 of the Code or Section 302 of ERISA; neither Borrower nor Guarantor has any liability for retiree medical or death benefits (contingent or otherwise) other than as required by Section 4980B of the Code; and no part of the funds to be used by Borrower or Guarantor in satisfaction of their respective obligations under this Agreement and the other Loan Documents constitute "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the United States Department of Labor in rules, regulations, releases or bulletins or as interpreted under applicable case law.

Section 5.11. Other Documents. The Major Leases and Premises Documents are unmodified and in full force and effect, there are no defaults (or events which with

notice or the passage of time, or both, would constitute such a default) under any thereof and all conditions to the effectiveness and continuing effectiveness thereof required to be satisfied as of the date hereof have been satisfied.

Section 5.12. No Defaults. There exists no Default or Event of Default.

Section 5.13. Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower or Guarantor to Lender in connection with the negotiation of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby, or required herein or by the other Loan Documents to be furnished by or on behalf of Borrower or Guarantor, contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading; there is no fact which Borrower has not disclosed to Administrative Agent and Lenders in writing which materially affects adversely nor, so far as Borrower can now foresee, will materially affect adversely any of the Mortgaged Property or the business affairs or financial condition of Borrower or Guarantor, or the ability of Borrower or Guarantor to perform this Agreement and the other Loan Documents.

Section 5.14. Separate Tax and Zoning Lot. Each Mortgaged Property constitutes a distinct parcel for purposes of zoning and of taxes, assessments and impositions (public or private) and are not otherwise considered as part of a larger single lot for purposes of zoning or of taxes, assessments or impositions (public or private).

Section 5.15. The Improvements. There are no structural defects in the Improvements or violations of any requirement of any Governmental Authorities with respect thereto; the use, occupancy and operation of the Improvements comply with all applicable permits and restrictive covenants affecting the Mortgaged Property, as well as with the Premises Documents and with all zoning, building, environmental, ecological, landmark, subdivision and other Laws, and all requirements for such use, occupancy and operation have been satisfied; there exist a sufficient number of parking spaces necessary to satisfy the requirements of the Premises Documents and any leases and all zoning and other applicable legal requirements with respect to the Mortgaged Property, and all required landscaping, sidewalks and other amenities, and all off-site improvements, related to the Improvements have been completed.

Section 5.16. Utility Services. All utility services necessary for the use and operation of the Improvements for their intended purposes are available and servicing the Property, including water supply, storm and sanitary sewer, gas, electric power and telephone facilities.

Section 5.17. Creation of Liens. It has entered into no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Mortgaged Property or any part thereof.

Section 5.18. Roads. All roads necessary for the full utilization of the Improvements for their intended purposes have been completed and dedicated to public use and accepted by all appropriate Governmental Authorities.

Section 5.19. Requisition as Reaffirmation. Each Requisition submitted to Administrative Agent, and the receipt of the funds requested thereby, shall constitute an affirmation by Borrower that the representations and warranties contained herein and in the other Loan Documents remain true and correct as of the respective dates of such Requisitions.

Section 5.20. Patriot Act.

(a) As of the date hereof, none of the funds or other assets of Borrower or of any of its direct or indirect owners (including Guarantor) constitute property of, or are beneficially owned, directly or indirectly, by, any Person subject to trade restrictions under United States Law, including those who are covered by the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder (an "Embargoed Person") with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law; (ii) no Embargoed Person has any interest of any nature whatsoever (whether directly or indirectly) in Borrower with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law; and (iii) none of the funds of Borrower have been derived from any unlawful activity with the result that the investment in Borrower (whether directly or indirectly) is prohibited by such applicable Law or the Loan is in violation of such Law.

(b) Neither Borrower nor any of its direct or indirect owners (including Guarantor) is in violation of the U.S. Federal Bank Secrecy Act, as amended, and its implementing regulations (31 CFR part 103), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 and the regulations promulgated thereunder, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), or any other anti-money laundering Law.

(c) Neither Borrower nor any if its direct or indirect owners (including Guarantor) is a Person with whom United States Persons are restricted from doing business with under (a) regulations issued by OFAC (including those persons and entities named on OFAC's Specially Designated Nationals and Blocked Persons list) or under any United States Law (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or (b) any other Law. Without limiting the foregoing, Borrower is not presently funding its obligations hereunder with funds from any of the Persons referred to in this paragraph (c).



(d) Guarantor has joined in this Agreement, for the purposes, among other things, of joining in the representations to Administrative Agent and Lenders in this Section 5.20.

## ARTICLE VI

### COVENANTS OF BORROWER

Borrower covenants and agrees with Administrative Agent and Lenders that it will promptly:

Section 6.01. Compliance with Laws; Payment of Taxes. Comply with all Laws applicable to it or the Mortgaged Property, or any part thereof, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed on it or the Mortgaged Property, or any part thereof, and promptly furnish Administrative Agent with reports of any official searches made by Governmental Authorities and any claims of violations thereof.

Section 6.02. Leases and Premises Documents. Not enter into any Major Lease without the prior written consent of Administrative Agent, not to be unreasonably withheld or delayed; and deliver to Administrative Agent certified copies of all leases in respect of the Mortgaged Property and all Premises Documents and all amendments to any thereof (in any case, whether executed before or after the date hereof) together with (i) if requested by Administrative Agent, current financial statements of the tenants thereunder or parties thereto as the case may be, and of the guarantor(s), if any, of such tenants or parties and (ii) in the case of all Major Leases, a notice-of-assignment letter in the form of EXHIBIT B; and keep all Premises Documents and, except as may be permitted by the Mortgage, all leases in full force and effect.

Section 6.03. Inspection Fee. Commencing on the first anniversary of the date hereof and on each anniversary thereafter during the term of the Loan, deliver to Lender a non-refundable administrative inspection fee in the amount of \$1,000.00 (the "Inspection Fee") with respect to the costs associated with Lender's annual inspection of the Property.

Section 6.04. Continuing Accuracy of Representations and Warranties. Cause all of the representations and warranties made to Administrative Agent or Lenders herein and in the other Loan Documents to be continuously true and correct.

Section 6.05. Covenants, Restrictions and Easements. Comply with all restrictions, covenants and easements affecting the Mortgaged Property or the Improvements and cause the satisfaction of all conditions hereof.

Section 6.06. Financial Covenants. Comply at all times with the DSC Test and the Loan to Value Test, as calculated in accordance with Section 2.04 hereof, provided, however, that such non-compliance shall not constitute an Event of Default under the Mortgage and hereunder if, within forty-five (45) days of the date upon which Mortgagor receives written notice from Administrative Agent of Borrower's non-compliance thereof

(the "Notice Date"), Mortgagor complies with the provisions of this Section 6.06, by either (i) partially prepaying the Note and the Hedging Agreement and all applicable prepayment or other charges, if any, provided for in the Note so that Borrower is in compliance herewith or (ii) delivering to Administrative Agent cash, a letter of credit from a financial institution acceptable to Administrative Agent, or such other collateral as may be acceptable to Lender in its sole discretion in an amount equal to the amount that would have been required to have been prepaid pursuant to (i) above in order to cure such default. In the case of Guarantor, Guarantor shall comply at all times with the Liquidity Requirement and the Net Worth Requirement.

Section 6.07. Payment of Costs. Pay all costs and expenses required for the satisfaction of the conditions hereof, including, without limitation (i) all document and stamp taxes, recording and filing expenses and fees and commissions lawfully due to brokers in connection with the transactions contemplated hereby, (ii) any taxes, insurance premiums, liens, security interests or other claims or charges against the Property or Improvements and (iii) all costs of completion of the work to be performed by Borrower in space to be occupied in the Improvements (including public space) to permit the lawful occupancy thereof for the purposes contemplated by actual or prospective lessees or owners of such space as set forth in the individual leases, subleases or purchase contracts thereof or in detailed work letters or other agreements or letters of intent with respect thereto, or, in cases where there are no such leases, subleases, contracts, work letters or other documents as aforesaid, as set forth in Borrower's standard work letter or the standard form of lease or contract, if any, required by paragraph (10) of Section 4.01(d), or, in cases where none of the foregoing exists, to the level of building standard in accordance with industry practices, as conclusively determined by the Engineering Consultant.

Section 6.08. Brokers. Indemnify Administrative Agent and Lenders against claims of brokers arising by reason of the execution hereof or the consummation of the transactions contemplated hereby.

Section 6.09. Correction of Defects. Upon demand of Administrative Agent or the Engineering Consultant, correct any defects (including structural) in the Improvements.

Section 6.10. Unused Fee. Borrower shall, during the term of the Loan, pay to Administrative Agent for the account of each Lender a fee (the "Unused Fee"), computed on the daily unused Individual Loan Commitment of such Lender based on the Loan Amount for each day at a rate per annum equal to 0.25%, calculated on the basis of a year of three hundred sixty (360) days for the actual number of days elapsed. The accrued Unused Fee shall be due and payable quarterly in arrears on the first day of July, October, January and April of each year commencing on July 1, 2004, and upon the Maturity Date (as stated, by acceleration or otherwise) or earlier termination of the Loan.

Section 6.11. Reporting and Miscellaneous Document Requirements. Furnish directly to each Lender:

(1) Semi-Annual Financial Statements of Borrower. On a semi-annual basis, as soon as available and in any event within ninety (90) days after the end of each applicable semi-annual period, Financial Statements of Borrower, in reasonable detail (including detailed balance sheet, income statement, cash flow statement and one-year projections) and stating in comparative form the respective figures for the corresponding date and period in the prior semi-annual period;

(2) Annual Financial Statements of Borrower. On a annual basis, as soon as available and in any event within ninety (90) days after the end of each applicable annual period, Financial Statements of Borrower, in reasonable detail (including detailed balance sheet, income statement, cash flow statement and one-year projections) and stating in comparative form the respective figures for the corresponding date and period in the prior annual period;

(3) Quarterly and Annual Financial Statements of Acadia Realty Trust. As soon as available and in any event within one hundred (100) days after the end of each calendar quarter and Fiscal Year, Financial Statements of Acadia Realty Trust, a Maryland real estate investment trust ("Sponsor"), which is the parent of Guarantor, as of the end of and for such calendar quarter and Fiscal Year, in reasonable detail (including detailed balance sheet, income statement, cash flow statement, and contingent liability schedule) and stating in comparative form the respective figures for the corresponding date and period in the prior Fiscal Year, audited (with respect to the annual financial statements only) by one of the so-called "Big Four" accounting firms or another firm of certified public accountants reasonably acceptable to Administrative Agent, provided that, notwithstanding the foregoing, so long as Sponsor timely files 10Q and 10K reports with the Securities and Exchange Commission, Sponsor shall have complied with this clause (3);

(4) Covenant Compliance Certificates. Within sixty (60) days after the end of each fiscal quarter, Guarantor shall submit to Lender a Covenant Compliance Certificate certified by a principal financial or accounting officer or general partner, as the case may be, in the Form of EXHIBIT E-1 hereto certifying, on the basis of Guarantor's unaudited financial statements, that Guarantor has met the Liquidity Requirement for the applicable period. As soon as available and in any event within one hundred (100) days after the end of each Fiscal Year, Guarantor shall submit to Lender a Covenant Compliance Certificate certified by a principal financial or accounting officer or general partner, as the case may be, in the Form of EXHIBIT E-2 hereto certifying, on the basis of Guarantor's audited Financial Statements as of the end of and for such Fiscal Year, that Guarantor has met the Net Worth Requirement and the Liquidity Requirement;

(5) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits, and proceedings before any court or arbitrator or any Governmental Authority, affecting (i) Borrower which, if

determined adversely to Borrower are likely to result in a Material Adverse Change or (ii) all or any portion of the Mortgaged Property under any Mortgage;

(6) Notices of Defaults and Events of Default. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a Default or any Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken with respect thereto;

(7) Material Adverse Change. As soon as is practicable and in any event within five (5) days after knowledge of the occurrence of any event or circumstance which is likely to result in or has resulted in a Material Adverse Change, written notice thereof;

(8) Offices. Thirty (30) days' prior written notice of any change in the chief executive office or principal place of business of Borrower;

(9) Environmental and Other Notices. As soon as possible and in any event within ten (10) days after receipt, copies of (i) all Environmental Notices received by Borrower which are not received in the ordinary course of business and which relate to any Property or a situation which is likely to result in a Material Adverse Change and (ii) all reports of any official searches made by any Governmental Authority having jurisdiction over any Property or the Improvements thereon, and of any claims of violations thereof;

(10) Insurance Coverage. Promptly, such information concerning Borrower's insurance coverage as Administrative Agent may reasonably request;

(11) Bankruptcy of Tenants. Promptly after becoming aware of the same, written notice of the bankruptcy, insolvency or cessation of operations of any tenant in the Improvements on any Property to which 5% or more of the aggregate minimum rent from such Improvements is attributable;

(12) Leasing Reports and Property Information. (i) Upon request by Administrative Agent, but no more often than quarterly, an updated rent roll, leasing report, and operating and cash statements for each Property and (ii) (ii) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, tenant sales report for each Property, to the extent Borrower is entitled to receive same pursuant to the terms of the respective leases; and

(13) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower, Guarantor or any Properties of Borrower as Administrative Agent may from time to time reasonably request.

Section 6.12. Completion of Rocky Hill Supermarket. Deliver to Administrative Agent all building permits pursuant to which the Stop & Shop Supermarket Company ("Stop & Shop"), a tenant of the Town Line Property, is presently constructing and/or

expanding a supermarket building at the Town Line Property, take all commercially reasonable steps to cause Stop & Shop to complete such construction in accordance with its lease and, upon completion thereof, promptly deliver to Administrative Agent a certificate of occupancy for such building issued by the appropriate Governmental Authority and an as-built ALTA survey of the Town Line Property showing such building.

## ARTICLE VII

### ADMINISTRATIVE AGENT; RELATIONS AMONG LENDERS

Section 7.01. Appointment, Powers and Immunities of Administrative Agent. Each Lender hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Loan Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Loan Document, together with such other powers as are reasonably incidental thereto. Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Loan Document or required by Law, and shall not by reason of this Agreement be a fiduciary or trustee for any Lender except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds, nor shall Administrative Agent have any fiduciary duty to Borrower nor shall any Lender have any fiduciary duty to Borrower or any other Lender. No implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against Administrative Agent. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or affiliates shall be responsible to Lenders for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Loan Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any lien securing the obligations hereunder or thereunder or for any failure by Borrower or any Guarantor to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or affiliates shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 7.02. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct

and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Lender as the holder of its Note and interest in the Loan for all purposes hereof and shall not be required to deal with any Person who has acquired a Participation in the Loan from a Lender. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with instructions signed by the Required Lenders, and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding on all of Lenders and any other holder of all or any portion of the Loan or Participation therein.

Section 7.03. Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or of an Event of Default unless Administrative Agent has actual knowledge thereof or has received notice from a Lender or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent has such actual knowledge or receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to Lenders. Administrative Agent shall promptly send to each Lender a copy of any notice of a Default or Event of Default that Administrative Agent sends to Borrower or Guarantor. Administrative Agent, following consultation with Lenders, shall (subject to Section 7.07) take such action with respect to such Default or Event of Default which is continuing, including with respect to the exercise of remedies or the realization on, or operation or disposition of, any or all of the Mortgaged Property or any other collateral for the Loan, as shall be directed by the Required Lenders; provided, however, that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem to be in the best interest of Lenders. In no event shall Administrative Agent be required to take any such action which it determines would be contrary to the Loan Documents or to Law. Each of Lenders acknowledges and agrees that no individual Lender may separately enforce or exercise any of the provisions of any of the Loan Documents (including, without limitation, the Notes) other than through Administrative Agent.

Section 7.04. Rights of Administrative Agent as Lender. With respect to its Note and interest in the Loan, Administrative Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Administrative Agent, and the terms "Lender" and "Lenders" shall include Administrative Agent in its capacity as a Lender. Administrative Agent and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, Borrower or Guarantor (and any affiliates of them) as if it were not acting as Administrative Agent.

Section 7.05. Sharing of Costs by Lenders; Indemnification of Administrative Agent. Each Lender shall pay its ratable share, based on the respective outstanding principal balances under its Note and the other Notes, of any expenses incurred (and not

paid or reimbursed by Borrower after demand for payment is made by Administrative Agent) by or on behalf of Lenders in connection with any Default or Event of Default, including, without limitation, costs of enforcement of the Loan Documents and any advances to pay taxes or insurance premiums, to complete the Improvements or otherwise to preserve the lien of the Mortgage or to preserve or protect the Mortgaged Property. In the event a Lender fails to pay its share of expenses as aforesaid, and all or a portion of such unpaid amount is paid by Administrative Agent and/or one or more of the other Lenders, then the defaulting Lender shall reimburse Administrative Agent and/or the other Lender(s) for the portion of such unpaid amount paid by it or them, as the case may be, together with interest thereon at the Prime Based Rate from the date of payment by Administrative Agent and/or the other Lender(s). In addition, each Lender agrees to reimburse and indemnify Administrative Agent (to the extent it is not paid by or on behalf of Borrower, after demand for payment is made by Administrative Agent, under Section 8.13 or under the applicable provisions of any other Loan Document, but without limiting the obligation of Borrower under said Section 8.13 or such provisions), for such Lender's ratable share, based upon the respective outstanding principal balances under its Note and the other Notes, of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Administrative Agent in any way relating to or arising out of this Agreement, any other Loan Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 8.13 or under the applicable provisions of any other Loan Document) or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided, however, that no Lender shall be liable for (i) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified or (ii) any loss of principal or interest with respect to Administrative Agent's Note or interest in the Loan.

Section 7.06. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance on Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own analysis of the collateral for the Loan and of the credit of Borrower and Guarantor, and its own decision to enter into this Agreement, and that it will, independently and without reliance upon Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Loan Document. Administrative Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or to inspect the properties (including, without limitation, the Properties) or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to Lenders by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of Borrower or Guarantor (or any affiliate of them) which may come into the possession of Administrative Agent or any of its affiliates. Administrative Agent shall not be required

to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein, for record or give notice of this Agreement, any other Loan Document or any document or instrument referred to herein or therein, to anyone.

Section 7.07. Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of Lenders under Section 7.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. If any indemnity furnished to Administrative Agent for any purpose shall, in the opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional indemnity and cease, or not commence, the action indemnified against until such additional indemnity is furnished.

Section 7.08. Resignation or Removal of Administrative Agent. Administrative Agent may be removed at any time with cause by the Required Lenders, provided that Borrower and the other Lenders shall be promptly notified thereof. Upon such resignation or removal of Administrative Agent, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor Administrative Agent shall (provided there exists no Event of Default) be subject to Borrower's approval, such approval not to be unreasonably withheld or delayed. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within twenty (20) days after the resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be one of Lenders, within ten (10) days. The Required Lenders or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Lenders. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Section 7.09. Amendments Concerning Agency Function. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Loan Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

Section 7.10. Liability of Administrative Agent. Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Lender



to perform its obligations hereunder or to any Lender on account of the failure of Borrower to perform its obligations hereunder or under any other Loan Document.

Section 7.11. Transfer of Agency Function. Without the consent of Borrower or any Lender, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and Lenders thereof.

Section 7.12. Non-Receipt of Funds by Administrative Agent; Adjustments.

(a) Unless Administrative Agent shall have received notice from a Lender or Borrower (either one as appropriate being the "Payor") prior to the date on which such Lender is to make payment hereunder to Administrative Agent of Loan proceeds or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the Federal Funds Rate.

(b) If, after Administrative Agent has paid each Lender's share of any payment received or applied by Administrative Agent in respect of the Loan, that payment is rescinded or must otherwise be returned or paid over by Administrative Agent, whether pursuant to any bankruptcy or insolvency Law, sharing of payments clause of any loan agreement or otherwise, such Lender shall, at Administrative Agent's request, promptly return its share of such payment or application to Administrative Agent, together with such Lender's proportionate share of any interest or other amount required to be paid by Administrative Agent with respect to such payment or application. In addition, if a court of competent jurisdiction shall adjudge that any amount received and distributed by Administrative Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to Administrative Agent its share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

Section 7.13. Withholding Taxes. Each Lender represents that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent such forms, certifications, statements and other documents as Administrative Agent may reasonably request from time to time to evidence such Lender's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent to comply with any applicable Laws

relating thereto. Without limiting the effect of the foregoing, if any Lender is not created or organized under the Laws of the United States or any state thereof, such Lender will furnish to Administrative Agent Form W-8ECI or Form W-8BEN of the U.S. Internal Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Lender, as evidence of such Lender's complete exemption from the withholding of United States tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Lender in respect of the Loan until such Lender shall have furnished to Administrative Agent the requested form, certification, statement or document.

Section 7.14. Sharing of Payments among Lenders. If a Lender shall obtain payment of any principal of its Note or of interest thereon through the exercise of any right of setoff, banker's lien or counterclaim, or by any other means (including direct payment), and such payment results in such Lender receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to Lenders, then such Lender shall promptly purchase for cash from the other Lenders Participations in the Loan in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share ratably the benefit of such payment. To such end Lenders shall make appropriate adjustments among themselves (by the resale of Participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

Section 7.15. Possession of Documents. Each Lender shall maintain possession of its own Note. Administrative Agent shall hold all other Loan Documents and related documents in its possession and maintain separate records and accounts with respect to the Loan, reflecting the interests of Lenders in the Loan, and shall permit Lenders and their representatives access at all reasonable times to inspect such Loan Documents, related documents, records and accounts.

## ARTICLE VIII

### GENERAL CONDITIONS AND PROVISIONS

Section 8.01. Disbursement Not Waiver. The disbursement by Lenders of the Loan made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Lenders, shall not constitute a waiver by Lenders of the requirement that all conditions, including the non-performed conditions, shall be satisfied.

Section 8.02. No Third-Party Beneficiaries. This Agreement is solely for the benefit of Administrative Agent, Lenders and Borrower. All conditions of the obligations of Lenders hereunder are imposed solely and exclusively for the benefit of Lenders and may be freely waived or modified in whole or in part by Lenders at any time if in their sole discretion it deems it advisable to do so, and no person other than Borrower (provided, however, that all conditions have been satisfied) shall have standing to require Lenders to disburse the Loan or to be a beneficiary of this Agreement.

Section 8.03. Documentation Etc. Satisfactory. All documentation and proceedings deemed by Administrative Agent or Lenders' Counsel to be necessary or required in connection herewith and the documents relating hereto shall be subject to the prior approval of, and satisfactory to, both of them as to form and substance. In addition, the Persons responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and Lenders' Counsel. Administrative Agent or Lenders' Counsel shall receive copies, certified if requested by either of them, of all documents which they may require in connection with the transactions contemplated hereby.

Section 8.04. Lender's Determination Conclusive. Administrative Agent shall, at all times, be free to independently establish to its satisfaction and in its absolute discretion the existence or nonexistence of any fact or facts the existence or nonexistence of which is a condition hereof.

Section 8.05. Notices. Except as expressly provided otherwise, all notices, demands, consents, approvals and statements required or permitted hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally, three (3) days after mailing by registered or certified mail, postage prepaid, or one (1) day after delivery to a nationally recognized overnight courier service providing evidence of the date of delivery, addressed to a party at its address on the signature page hereof or of the applicable Assignment and Assumption Agreement, or at such other address of which a party shall have notified the party giving such notice in writing in accordance with the foregoing requirements.

Section 8.06. Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Loan Document, nor consent to any material departure by Borrower or any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the party against whom such amendment, waiver or consent is sought to be enforced (it being understood, however, that the signatures of the Required Lenders and, solely for purposes of its acknowledgement thereof, Administrative Agent, shall be sufficient to bind Lenders to any such amendment, waiver or consent), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all Lenders, do any of the following: (i) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any other Loan Document; (ii) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees due hereunder or under any other Loan Document; (iii) change the definition of Required Lenders; (iv) release any material portion of the Mortgaged Property or other collateral for the Loan other than in accordance with the Loan Documents; (v) amend this Section or any other provision requiring the consent of all Lenders; (vi) release, in whole or in part, any Guarantor other than in accordance with the Loan Documents; or (vii) increase the Loan Amount. Without limiting the foregoing, acceptance by Administrative Agent or Lenders of any sum required to be paid pursuant hereto or any other Loan Document, after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Administrative Agent or Lenders of their right

to require prompt payment when due of all other such sums or to declare a default or to exercise such other rights provided herein or in the other Loan Documents for such late or reduced payment.

All communications from Administrative Agent to Lenders requesting Lenders' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Lender, (ii) shall be accompanied by or include a description or copy of the matter or thing as to which such determination, approval, consent or disapproval is requested and (iii) shall include Administrative Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within ten (10) Business Days (or five (5) Business Days with respect to any decision to accelerate or stop acceleration of the Loan) after receipt of the request therefor by Administrative Agent (the "Lender Reply Period"). Unless a Lender shall give written notice to Administrative Agent that it objects to the recommendation or determination of Administrative Agent (together with a written explanation of the reasons behind such objection) within the Lender Reply Period, such Lender shall be deemed to have approved or consented to such recommendation or determination.

Section 8.07. Assignment; Participation. Any Lender may at any time grant to one or more banks or other institutions not affiliated with Borrower or Guarantor (each a "Participant") participating interests in its Pro Rata Share of the Loan (the "Participations"). In the event of any such grant by a Lender of a Participation to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and Borrower and Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder. Any agreement pursuant to which any Lender may grant a Participation shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Loan Document, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver described in clauses (i) through (vii) of Section 8.06 without the consent of the Participant.

Upon request by Borrower, each Lender agrees to provide Borrower with notice of all Participations sold by such Lender. Borrower agrees to provide all assistance reasonably requested by a Lender to enable such Lender to sell Participations as aforesaid, or make assignments of its interest in the Loan as hereinafter provided in this Section.

A Lender may at any time assign to any bank or other institution not affiliated with Borrower or Guarantor with the consent of Administrative Agent, which consents shall not be unreasonably withheld or delayed (such assignee, a "Consented Assignee"), or to one or more banks or other institutions which are majority owned subsidiaries of a Lender or of the parent of a Lender (each Consented Assignee or subsidiary bank or institution, an "Assignee") all or a proportionate part of all of its rights and obligations under this Agreement and its Note, and such Assignee shall assume rights and

obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and the assigning Lender, provided that, after giving effect to such assignment, in each case, the Assignee's portion of the Loan and, in the case of a partial assignment of a Lender's interest, the assigning Lender's portion of the Loan will each be equal to or greater than \$5,000,000. Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the assigning Lender of an amount equal to the purchase price agreed between such Lender and such Assignee and (iii) payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of \$3,500, such Assignee shall be a party to this Agreement and shall have all the rights and obligations of a Lender as set forth in such Assignment and Assumption Agreement, and the assigning Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph, substitute notes, in the form of EXHIBIT D, shall be issued to the assigning Lender (in the case of a partial assignment) and Assignee by Borrower, in exchange for the return of the assigning Lender's original Note. All such substitute notes shall constitute "Notes" and the obligations evidenced by such substitute notes shall constitute obligations secured by the Mortgage. In connection with Borrower's execution of substitute notes as aforesaid, Borrower shall deliver to Administrative Agent such evidence of the due authorization, execution and delivery of the substitute notes and any related documents as Administrative Agent may reasonably request. If the Assignee is not incorporated under the Laws of the United States or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 7.13.

Borrower, Administrative Agent and Lenders shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with assignments in accordance with the foregoing provisions of this Section.

Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

Borrower recognizes that in connection with a Lender's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Loan may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee.

Section 8.08. Setoff. In addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim Administrative Agent or any Lender may otherwise have, Administrative Agent and each Lender shall be entitled, but only with the prior consent of Administrative Agent, to offset balances (general or special, time or demand, provisional or final) held by it for the account of Borrower at any of Administrative Agent's or such Lender's offices against any amount payable by Borrower to

Administrative Agent or such Lender hereunder or under any other Loan Document which is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and (in the case of a Lender) Administrative Agent thereof; provided, however, that Administrative Agent's or such Lender's failure to give such notice shall not affect the validity thereof. Payments by Borrower hereunder or under the other Loan Documents shall be made without setoff or counterclaim.

Section 8.09. Successors and Assigns. Except as herein provided, this Agreement shall be binding upon and inure to the benefit of Borrower, Administrative Agent and Lenders and their respective heirs, personal representatives, successors and assigns. Notwithstanding the foregoing, Borrower, without the prior written consent of Lender in each instance, may not assign, transfer or set over to another, in whole or in part, all or any part of its benefits, rights, duties and obligations hereunder, including, but not limited to, performance of and compliance with conditions hereof and the right to receive the proceeds of the Loan.

Section 8.10. Severability. The provisions hereof are intended to be severable. Any provisions hereof, or the application thereof to any Person or circumstance, which, for any reason, in whole or in part, is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof (or the remaining portions of such provision) or the application thereof to any other Person or circumstance, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision (or portion thereof) or the application thereof to any Person or circumstance in any other jurisdiction.

Section 8.11. Non-Waiver; Remedies Cumulative. No failure or delay on Lender's part in exercising any right, remedy, power or privilege (hereinafter in this Section, each a "Remedy") hereunder or under any of the other Loan Documents shall operate as a waiver of any such Remedy or shall be deemed to constitute Administrative Agent's or any Lender's acquiescence in any default by Borrower or Guarantor under any of said documents. A waiver by Administrative Agent or any Lender of any Remedy hereunder or under any of the other Loan Documents on any one occasion shall not be construed as a bar to any other or future exercise thereof or of any other Remedy. The Remedies provided in said documents are cumulative, may be exercised singly or concurrently and are not exclusive of any Remedies provided therein or by Law.

Section 8.12. Certain Waivers. Borrower hereby irrevocably and unconditionally waives (i) promptness and diligence, (ii) notice of any actions taken by Administrative Agent or any Lender hereunder or under any other Loan Document or any other agreement or instrument relating hereto or thereto except to the extent otherwise provided herein, (iii) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of Borrower's obligations hereunder and under the other Loan Documents, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving Borrower of any of its obligations hereunder or under the other Loan Documents, (iv) any requirement that

Administrative Agent or any Lender protect, secure, perfect or insure any lien on any collateral for the Loan or exhaust any right or take any action against Borrower, Guarantor or any other Person or against any collateral for the Loan, (v) any right or claim of right to cause a marshalling of Borrower's assets and (vi) all rights of subrogation or contribution, whether arising by contract or operation of law or otherwise by reason of payment by Borrower pursuant hereto or to any other Loan Document. BORROWER FURTHER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY OR ON BEHALF OF ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO THIS AGREEMENT, THE NOTES OR OTHERWISE IN RESPECT OF THE LOAN, ANY AND EVERY RIGHT BORROWER MAY HAVE TO (W) INJUNCTIVE RELIEF, (X) A TRIAL BY JURY, (Y) INTERPOSE ANY COUNTERCLAIM THEREIN, OTHER THAN A COMPULSORY COUNTERCLAIM, AND (Z) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING CONTAINED IN THE IMMEDIATELY PRECEDING SENTENCE SHALL PREVENT OR PROHIBIT BORROWER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO ANY ASSERTED CLAIM.

Section 8.13. Expenses; Indemnification. The Loan shall be made without cost to Lender. Borrower covenants and agrees to pay all costs, expenses and charges (including, without limitation, all fees and charges of engineers, appraisers, the Engineering Consultant and Lenders' Counsel) incurred by Administrative Agent or any Lender in connection with (i) the preparation for and consummation of the transactions contemplated hereby or for the performance hereof and of the other Loan Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and (ii) the enforcement hereof or of any or all of the other Loan Documents; provided, however, that Borrower shall not be responsible for (1) the fees and expenses of legal counsel for Lenders other than Fleet incurred in connection with said counsel's review of this Agreement and the other Loan Documents prior to execution and (2) costs, expenses and charges incurred by Administrative Agent and Lenders in connection with the administration or syndication of the Loan. If Borrower fails to pay promptly any costs, charges or expense required to be paid by it as aforesaid, and Administrative Agent or any Lender pays such costs, charges or expenses, Borrower shall reimburse Administrative Agent or such Lender, as appropriate, on demand for the amounts so paid, together with interest thereon at the Default Rate. Borrower further agrees to indemnify Administrative Agent and each Lender and their respective directors, officers, employees and agents from, and hold each of them harmless against, (x) any and all losses arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of the Loan, including, without limitation, the fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceedings and (y) any and all claims, actions, suits, proceedings, costs, expenses, losses, damages and liabilities of any kind, including in tort, penalties and interest, arising out of or by reason of any matter relating, directly or indirectly, to the Mortgage or the ownership, condition, development,

construction, sale, rental or financing of the Property or Improvements or any part thereof (but excluding any such losses, liabilities, claims, damages or expenses incurred solely by reason of the gross negligence or willful misconduct of the party to be indemnified). The obligations of Borrower under this Section and under Sections 3.01, 3.03 and 6.08 shall survive the repayment of all amounts due under or in connection with any of the Loan Documents and the termination of the Loan.

Section 8.14. Gross-Up For Taxes. All payments made by Borrower under the Note and other Loan Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding income taxes and franchise or other taxes (imposed in lieu of income taxes) imposed on Lender as a result of a present or former connection between Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") is required to be withheld from any amounts payable to Lender under the Note or other Loan Documents, the amounts so payable to Lender shall be increased to the extent necessary to yield to Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable with respect to the Loan at the rates or in the amounts specified in the Note or other Loan Documents. Whenever any Non-Excluded Taxes are payable by Borrower, as promptly as possible thereafter Borrower shall send to Lender a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to Lender the required receipts or other required documentary evidence, Borrower shall indemnify Lender for any incremental taxes, interest or penalties that may become payable by Lender as a result of any such failure. The agreements in this Section shall survive the termination of this Agreement and the payment of the Note and all other amounts payable in respect of the Loan.

Section 8.15. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 8.16. Governing Law; Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law). Borrower, Administrative Agent and each Lender hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York (or any county in New York State where any portion of the Property is located) over any suit, action or proceeding arising out of or relating to this Agreement, and Borrower hereby agrees and consents that, in addition to any methods of service of process provided for under applicable Law, all service of process in any such suit, action or proceeding in any New York State or



Federal court sitting in The City of New York (or such other county in New York State) may be made by certified or registered mail, return receipt requested, directed to Borrower at the address indicated on the cover page hereof, and service so made shall be complete five (5) days after the same shall have been so mailed.

Section 8.17. Integration. The Loan Documents constitute the entire agreement among Administrative Agent, Borrower and Lenders relating to the transactions contemplated thereby (except with respect to agreements among Lenders or with Administrative Agent relating solely to compensation, consideration and the syndication of the Loan) and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 8.18. Releases. Provided no Default or Event of Default exists, Borrower shall have the right to obtain the release of any of the Properties from the Mortgage encumbering the same, at Borrower's expense, so long as (i) Borrower pays to Administrative Agent for the account of Lenders an amount equal to the lesser of (x) the greater of (A) the Release Price for the Property that is the subject of such release and (B) the amount necessary to reduce the Loan to an amount which satisfies the DSC Test on the basis of Net Operating Income from the parcels not being released or (y) the then outstanding principal amount of the Loan, which amount shall be applied to the reduction of outstanding principal under the Loan, (ii) Administrative Agent receives such reasonable documentation as Administrative Agent shall request confirming that the amount of any Additional Interest secured by the Mortgage encumbering the Property which is being released shall be secured by the credit of Guarantor, and (iii) Administrative Agent receives such other documents, opinions and assurances as Administrative Agent may reasonably request. Upon any such release of a Property, such Property shall no longer constitute a "Property" hereunder.

Section 8.19. Exculpation. Neither Borrower nor any Guarantor shall be personally liable for payment of the principal of the Note or interest thereon, and in the event of any failure by Borrower to pay any portion of such principal or interest, Lenders will look, with respect to the then outstanding balance of such principal and interest, solely to the Mortgaged Property and such other collateral as has been, or hereafter shall be, given to secure payment of the Note. The foregoing limitation on liability shall not impair or otherwise affect the validity or enforceability of (a) the debt evidenced by the Note or the Loan Agreement or of any other obligations evidenced by the Note, the Loan Agreement, the Mortgage or any of the Loan Documents or (b) Lenders' liens, security interests, rights and remedies (including, without limitation, the remedies of foreclosure and/or sale) with respect to the Mortgaged Property or any other property, security, collateral and/or assets (including the proceeds thereof) encumbered, pledged or assigned by the Mortgages or any other security for the Loan. In addition, the foregoing limitation on liability shall not limit anyone's obligations or be applicable with respect to: (i) liability under any guaranty(ies) or indemnity(ies) delivered or afforded to Lenders; (ii) any fraud or material misrepresentation; (iii) taxes of any kind (whether characterized as transfer, gains or other taxes) payable in connection with the foreclosure sale of the Mortgaged Property, irrespective of who pays such taxes; (iv) application of any proceeds of the Loan to any purpose other than as provided in the Loan Documents;

(v) the application of any insurance or condemnation proceeds or other funds or payments other than strictly in accordance with the Loan Documents; (vi) the misapplication of any security deposits; (vii) rents, sales proceeds, or other sums received after default under the Loan Documents which are not applied to expenses of operating the Mortgaged Property or paid to Lenders or a duly appointed receiver of the Mortgaged Property; (viii) any failure to deliver to Lenders, after demand therefor, any agreements relating to the operation, management, leasing, use, occupancy or construction of the Mortgaged Property; (ix) any intentional physical waste in respect of the Mortgaged Property; (x) any failure to pay or discharge any real estate tax, other tax, assessment, fine, penalty or lien against the Mortgaged Property to the extent revenue from leases of the Mortgaged Property was available to pay same; (xi) liability as landlord under any lease(s) relating to the Mortgaged Property which liability accrued prior to Lenders' succeeding to such interest of Borrower, which Lenders are or become obligated for by virtue of Lenders succeeding to the interests of Borrower, provided, however, that such liability shall only apply with respect to any liability of Borrower under such leases which Lenders assumes pursuant to subordination, non-disturbance and attornment agreements required pursuant to the terms of such leases; (xii) liability under any agreement relating to the operation or maintenance of the Mortgaged Property which liability accrued prior to Lenders' succeeding to such interest of Borrower which Lenders are or become obligated for by virtue of Lenders succeeding to the interests of Borrower, provided, however, that such liability shall only apply with respect to agreements which are not terminable by their terms upon thirty (30) days' written notice; (xiii) liability to pay for the premiums on and keep in full force and effect insurance in respect of the Mortgaged Property in accordance with the Loan Documents to the extent revenue from leases of the Mortgaged Property was available to pay same; or (xiv) liability for Hazardous Substances that may exist upon or be discharged from the Mortgaged Property. Borrower and any Guarantor shall in any event be and shall remain personally liable for each of the matters to which reference is made in the preceding sentence and Lenders may seek, obtain and enforce one or more money judgments in any appropriate proceeding(s) with respect thereto. The limitation on personal liability contained in this paragraph shall become automatically null and void and shall be of no further force or effect, and Borrower and each Guarantor shall be and remain personally liable for payment of the principal of the Note and interest thereon, in accordance with the terms and provisions of this Loan Agreement, in the event that Borrower, or anyone acting on behalf of Borrower, shall (A) file a petition or answer seeking any relief of any kind under the bankruptcy laws of the United States (or if an Insolvency Event shall otherwise occur), (B) assert in writing or in any legal proceedings of any kind that any provisions of any of the Loan Documents are in whole or in part unenforceable, invalid or not legally binding, or (C) fail fully to cooperate with Lenders or a receiver in Lenders' or such receiver's efforts to collect Rents directly from tenants after a default under the Loan Documents.

#### Section 8.20. Letters of Credit.

(a) Borrower, with the consent of the Required Lenders, may request, in lieu of advances of proceeds of the Loan, that Administrative Agent issue unconditional, irrevocable standby letters of credit (each, a "Letter of Credit") for the account of

Borrower. Promptly upon Borrower's request for, and then upon issuance of, a Letter of Credit, Administrative Agent shall notify each Lender.

(b) The amount of any Letter of Credit shall be limited to the amount of proceeds of the Loan available to be advanced hereunder, it being understood that the amount of each Letter of Credit issued and outstanding shall effect a reduction, by an equal amount, of proceeds available to Borrower under the Loan. Administrative Agent's issuance of each Letter of Credit shall be subject to Borrower having satisfied all conditions precedent to its entitlement to an advance of Loan proceeds. Each Letter of Credit shall expire no later than one (1) month prior to the Maturity Date. If the Letter of Credit is returned undrawn upon or expires without being drawn upon, then the amount of Loan proceeds allocated to the Letter of Credit shall again become available to be advanced with the terms hereof.

(c) In connection with, and as a further condition to the issuance of, each Letter of Credit, Borrower shall execute and deliver to Administrative Agent an application for the Letter of Credit on Administrative Agent's standard form therefor, together with such other documents, opinions and assurances as Administrative Agent shall reasonably require, and shall pay such fees as Administrative Agent shall require.

(d) The parties hereto acknowledge and agree that, immediately upon notice from Administrative Agent of any drawing under a Letter of Credit, each Lender shall, notwithstanding the existence of a Default or Event of Default or the non-satisfaction of any conditions precedent to the making of an advance of the Loan, advance proceeds of the Loan, in an amount equal to its ratable share (based upon the undisbursed amounts of the Lenders' respective Individual Loan Commitments) of such drawing, which advance shall be made to Administrative Agent to reimburse Administrative Agent, for its own account, for such drawing. Borrower hereby irrevocably authorizes Lenders to make such advances. Each Lender further acknowledges that its obligation to fund its share of drawings under Letters of Credit as aforesaid shall survive the Lenders' termination of this Agreement or enforcement of remedies hereunder or under the other Loan Documents. In the event that any advance cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under any applicable bankruptcy or insolvency Law with respect to Borrower), then each Lender shall purchase (on or as of the date such advance would otherwise have been made) from Administrative Agent a participation interest in any unreimbursed drawing in an amount equal to its Pro Rata Share of such unreimbursed drawing.

(e) Borrower agrees, upon the occurrence of an Event of Default and at the written request of Administrative Agent, (i) to deposit with Administrative Agent cash collateral in the amount of all the outstanding Letters of Credit, which cash collateral shall be held by Administrative Agent as security for Borrower's obligations in connection with the Letters of Credit and (ii) to execute and deliver to Administrative Agent such documents as Administrative Agent reasonably requests to confirm and perfect the assignment of such cash collateral to Administrative Agent.

(f) In connection with each Letter of Credit, Borrower hereby covenants to pay to Administrative Agent the following fees, payable quarterly in arrears (on the first Business Day of each calendar quarter following the issuance of the Letter of Credit): (1) a fee (the "Lenders L/C Fee") for the account of Lenders, computed daily on the amount of the Letter of Credit issued and outstanding at a per annum rate equal to 0.85% and (2) a fee (the "Fronting Fee") for Administrative Agent's own account, computed daily on the amount of the Letter of Credit issued and outstanding at a rate per annum equal to 0.15%. It is understood and agreed that the last installment of the foregoing fees provided for in this paragraph (f) with respect to any particular Letter of Credit shall be due and payable on the first day of the calendar quarter following the return, undrawn, or cancellation, of such Letter of Credit. In addition, Borrower shall pay to Administrative Agent, Administrative Agent's customary administrative fees in connection with the issuance, extension, amendment and drawing of all Letters of Credit.

(g) Borrower and Lender agree that that certain Letter of Credit no. YS64127702 in the amount of \$1,415,465 dated April 19, 2004 upon the application of Town Line Borrower (the "Town Line L/C") shall constitute a Letter of Credit issued pursuant to this Agreement. Notwithstanding anything to the contrary contained herein, Lender acknowledges that with respect to the reissuance of the Town Line L/C Borrower has prepaid a separate annual fee in lieu of the Lenders L/C Fee and the Fronting Fee and no Lenders L/C Fee or Fronting Fee shall be due or payable with respect to such Letter of Credit for the one year period following its issuance.

Section 8.21. Concerning Irrevocable Authorizations. Any and all advances made at any time by Lenders pursuant to the irrevocable authorizations granted by Section 8.20 shall require no further direction, authorization or request for disbursement from Borrower and may be made whether or not there exists a Default or Event of Default. Any and all such disbursements shall be added to the outstanding principal balance evidenced by the Notes and shall be secured by the Mortgage.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written, the execution hereof by Borrower constituting a certification by the party or parties executing on its behalf that the representations and warranties made in Article IV are true and correct as of the date hereof and that each of them duly holds and is incumbent in the position indicated under his or her name.

FLEET NATIONAL BANK

By

-----  
Denise M. Smyth  
Vice President

Address for notices and Applicable  
Lending Office:

Fleet National Bank  
1185 Avenue of the Americas, 16th Floor  
New York, New York 10036  
Attention: Ms. Denise M. Smyth

RD BRANCH ASSOCIATES, L.P., a New York  
limited partnership

By: Acadia Property Holdings, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, its sole  
member

By: Acadia Realty Trust,  
its general partner

By

-----  
Robert Masters  
Senior Vice President

RD ABINGTON ASSOCIATES LIMITED  
PARTNERSHIP, a Delaware limited  
partnership

By: Acadia Property Holdings, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, its sole member

By: Acadia Realty Trust,  
its general partner

By  
-----  
Robert Masters  
Senior Vice President

RD METHUEN ASSOCIATES LIMITED  
PARTNERSHIP, a Massachusetts limited  
partnership

By: Acadia Property Holdings, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, its sole member

By: Acadia Realty Trust,  
its general partner

By  
-----  
Robert Masters  
Senior Vice President

HEATHCOTE ASSOCIATES, L.P., a New York  
limited partnership

By: Acadia Heathcote, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, a Delaware limited  
partnership, its sole member

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

By  
-----  
Robert Masters  
Senior Vice President

ACADIA TOWN LINE, LLC

By: Acadia Realty Limited Partnership,  
a Delaware limited partnership,  
its sole member

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

By  
-----  
Robert Masters  
Senior Vice President

Address for notices for all Borrowers:

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

The undersigned joins in the execution and authorizes the delivery of this Loan Agreement for the purpose of accepting and agreeing to the provisions of Section 5.20, Section 6.06, Section 6.11 and Section 8.19 hereof.

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust, its general partner

By

-----  
Robert Masters  
Senior Vice President



EXHIBIT A

Assignment and Assumption Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of \_\_\_\_\_, 200\_\_,  
among [NAME OF ASSIGNING BANK] ("Assignor") and [NAME OF ASSIGNEE] ("Assignee").

Preliminary Statement

1. This Assignment and Assumption Agreement (this "Agreement") relates to the Term Loan Agreement (as the same may be amended from time to time, the "Loan Agreement") dated \_\_\_\_\_, 200\_\_ among \_\_\_\_\_ ("Borrower"), the lender(s) party thereto (each a "Lender" and, collectively, "Lenders") and \_\_\_\_\_, as administrative agent ("Administrative Agent"). All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Loan Agreement.

2. Subject to the terms and conditions set forth in the Loan Agreement, Assignor has made an Individual Loan Commitment to Borrower in an aggregate principal amount of \$\_\_\_\_\_ ("Assignor's Loan Commitment").

3. The aggregate outstanding principal amount under Assignor's Loan Commitment at the commencement of business on the date hereof is \$\_\_\_\_\_.

4. Assignor desires to assign to Assignee all of the rights of Assignor under the Loan Agreement in respect of a portion of Assignor's Loan Commitment and the loan made pursuant thereto, such portion being in an amount equal to \$\_\_\_\_\_ (the "Assigned Loan and Commitment"), of which \$\_\_\_\_\_ is currently outstanding and \$\_\_\_\_\_ is still to be disbursed to Borrower pursuant to the Loan Agreement; and Assignee desires to accept assignment of such rights and assume the corresponding obligations from Assignor on such terms.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Assignment. Assignor hereby assigns and sells to Assignee all of the rights of Assignor under the Loan Agreement in and to the Assigned Loan and Commitment, and Assignee hereby accepts such assignment from Assignor and assumes all of the obligations of Assignor under the Loan Agreement with respect to the Assigned Loan and Commitment, including, without limitation, Assignor's obligations with respect to the undisbursed portion, if any, thereof. Upon the execution and delivery hereof by Assignor, Assignee, Administrative Agent and the payment of the amount specified in Section 2 hereof required to be paid on the date hereof, (1) Assignee shall, as of the commencement of business on the date hereof, succeed to the rights and obligations of a Lender under the Loan Agreement with an Individual Loan Commitment in an amount

equal to the Assigned Loan and Commitment, and (2) the Individual Loan Commitment of Assignor shall, as of the commencement of business on the date hereof, be reduced correspondingly and Assignor released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee. Assignor represents and warrants that it (x) owns the Assigned Loan and Commitment free and clear of all liens and other encumbrances and (y) is legally authorized to enter into and perform this Agreement. Except as provided in the immediately preceding sentence, the assignment provided for herein shall be without representation or warranty by, or recourse to, Assignor.

SECTION 2. Payments. As consideration for the assignment and sale contemplated in Section 1 hereof, Assignee shall pay to Assignor on the date hereof, in immediately available funds, an amount equal to the outstanding principal amount under the Assigned Loan and Commitment recited in paragraph 4 of the Preliminary Statement above. Each of Assignor and Assignee hereby agrees that if it receives any amount under the Loan Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 3. Consent; Execution and Delivery of Note. This Agreement is conditioned upon the consent of Administrative Agent. The execution of this Agreement and Administrative Agent is evidence of this consent; [CONSENTS NOT REQUIRED FOR CERTAIN ASSIGNMENTS TO ENTITIES RELATED TO A LENDER.] Pursuant to Section 8.07 of the Loan Agreement, Borrower has agreed to execute and deliver Notes payable to the respective orders of Assignee and Assignor to evidence the assignment and assumption provided for herein. Assignee has designated as its Applicable Lending Office, and as its address for notices, the office identified as such below.

SECTION 4. Non-Reliance on Assignor. Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of Borrower or any other party to any Loan Document, or the validity and enforceability of the obligations of Borrower or any other party to a Loan Document in respect of the Loan Agreement or any other Loan Document. Assignee acknowledges that it has, independently and without reliance on Assignor, and based on such documents and information as it has deemed appropriate, made its own analysis of the collateral for the Loan, credit analysis of Borrower and Guarantor and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the collateral for the Loan and of the business, affairs and financial condition of Borrower and the other parties to the Loan Documents.

SECTION 5. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law).

SECTION 6. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7. Certain Representations and Agreements by Assignee. Assignee represents that it is legally authorized to enter into and perform this Agreement. In addition, Assignee hereby represents that it is entitled to receive any payments to be made to it under the Loan Agreement or hereunder without the withholding of any tax and agrees to furnish the evidence of such exemption as specified therein and otherwise to comply with the provisions of Section 7.13 of the Loan Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[NAME OF ASSIGNOR]

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

[NAME OF ASSIGNEE]

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

Assignee's Applicable Lending Office and  
Address for Notices:

[Assignee]  
[Address]  
Attention: \_\_\_\_\_  
Telephone: (\_\_\_\_\_) \_\_\_\_\_

[NAME OF ADMINISTRATIVE AGENT]

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

[NAME OF BORROWER]

By

-----  
Name:

Title:

4

EXHIBIT B

Notice-of-Assignment of Lease  
(On Letterhead of Borrower)

\_\_\_\_\_, 200\_

[Name and Address of Tenant]

Re: Lease Dated:  
Lender:  
Address of Lender:  
Mortgage Dated:

Dear Sir/Madam:

The undersigned has assigned by a mortgage or deed of trust (the "Mortgage") dated as shown above to the Lender identified above (hereinafter "Lender") all its estate, right, title and interest in, to and under the Lease between you and the undersigned dated as set forth above, as said Lease may have been heretofore modified or amended (the "Lease"), together with all right, title and interest of the undersigned as lessor thereunder, including, without limitation, the right upon the occurrence of an Event of Default (as defined in the Mortgage) to collect and receive all earnings, revenues, rents, issues, profits and income of the property subject to the Mortgage.

[CERTAIN PROVISIONS OF THE MORTGAGE, THE TEXT OF WHICH ARE ATTACHED HERETO, RESTRICT SOME OF THE UNDERSIGNED'S RIGHTS UNDER THE LEASE. HOWEVER, S][S]aid assignment does not impair or diminish any of our obligations to you under the provisions of the Lease, nor are any such obligations imposed upon Lender, its successors or assigns.

Pursuant to said assignment you are hereby notified that in the event of a demand on you by Lender or its successors and assigns for the payment to it of the rents due under the Lease, you may, and are hereby authorized and directed to, pay said rent to Lender and we hereby agree that the receipt by you of such a demand shall be conclusive evidence of Lender's right to the receipt thereof and that the payment of the rents by you to Lender pursuant to such demand shall constitute performance in full of your obligation under the Lease for the payment of rent to the undersigned.

---

NOTE: To be sent in accordance with notice requirements of the Lease.

\* To be used if property located in New York

Kindly indicate your receipt of this letter and your agreement to the effect set forth below by signing the enclosed copy thereof and mailing it to Lender at its address identified above to the attention of its Real Estate Finance Office.

[BORROWER]

By

-----  
Name:  
Title:

The undersigned acknowledges receipt of the original of this letter and agrees for the benefit of Lender that it shall notify Lender of any default on the part of the landlord under the Lease which would entitle the undersigned to cancel the Lease or to abate the rent payable thereunder, and further agrees that, notwithstanding any provision of the Lease, no notice of cancellation thereof, nor of any abatement, shall be effective unless Lender has received the notice aforesaid and has failed within 30 days of the date thereof to cure, or if the default cannot be cured within 30 days has failed to commence and to diligently prosecute the cure, of landlord's default which gave rise to the right to cancel or abate.

[NAME OF TENANT]

By

-----  
-----,  
its authorized officer

## EXHIBIT C

### Required Contents of Borrower's Counsel Opinion

(1) If Borrower, the mortgagor or grantor under the Mortgage (if different from Borrower), Guarantor or any general partner or member of any of them is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, is qualified to do business (or such opinion shall specifically state that such qualification is not required) and is in good standing in the jurisdiction in which the Property is located, and has full power and authority to consummate the transactions contemplated by the Loan Documents and to execute, deliver and perform all Loan Documents to which it is a party.

(2) There are no actions, suits or proceedings pending or threatened against or affecting Borrower, Guarantor, the Mortgaged Property, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Lender in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become payable under the Note or Guaranty or to otherwise pay and perform their respective obligations in connection with the Loan; neither Borrower nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

(3) The consummation of the transactions contemplated by and the performance of the Loan Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which either of them may be bound or affected.

(4) There exist no violations of any laws, statutes, ordinances, rules, orders, regulations or requirements of any Governmental Authorities with respect to the Improvements and that the use thereof complies with all applicable zoning and other laws, etc. and with all restrictions, covenants, leases and easements affecting the Mortgaged Property.

(5) The Property is not part of a larger tract of land owned by Borrower, its affiliates or Guarantor, or otherwise considered as part of one zoning or tax lot, or, if they are, that any authorization or variance required for the subdivision of such larger tract which a sale of the Property would entail has been obtained from all appropriate Governmental Authorities so that the Property and Improvements constitute one zoning or tax lot (including parking and utility facilities and street access, if relevant) capable of being conveyed as such.

Required Contents of Borrower's Local Counsel Opinion (and, if required by Lender, of a local counsel selected by Lender or its counsel)

(1) The Loan Documents have each been duly authorized, executed and delivered by the parties thereto (other than Lender) and, under the laws of the jurisdiction in which the Property is located (were such laws to apply), are valid and binding instruments enforceable against such parties in accordance with their respective terms, subject, however, to the qualifications that (a) some of the rights and remedies set forth in the Note and Mortgage may be limited by bankruptcy, insolvency, reorganization and other laws of general application to the enforcement of creditors' rights and (b) certain remedies and waivers contained in the Mortgage may be limited by applicable laws of said jurisdiction, none of which qualifications will materially interfere with the practical realization of the benefits and security provided by said documents except for the economic consequences of any procedural delay which may result therefrom.

(2) Considering the significant relationship that the State of New York has to the Loan, the courts of the jurisdiction in which the Property is located will, in all likelihood, honor any designations by the parties of New York as the governing law contained in the Loan Documents.

(3) The Mortgage will create the lien it purports to create on the property covered by the Mortgage and will effectively assign the leases purported to be assigned thereby if the Mortgage and any necessary UCC-1 financing statements are recorded or filed, as the case may be, and specifying local law requirements as to (1) the manner in which, and offices where, such recording and filing must be made and (2) the re-recording of the Mortgage and re-filing of the financing statements, all in order to establish, preserve and protect such lien and assignment and Lender's interest in the property covered by the Mortgage.

(4) In the event of a foreclosure or other method of enforcement of the remedies provided for in the Mortgage, any leases of the Mortgaged Property will, at the option of the holder of the Mortgage, remain in full force and effect between the lessees thereunder and such holder or any purchaser of the Mortgaged Property pursuant to such remedial action. The opinion shall state whether the foregoing results as a matter of law or by reason of compliance with Section 1.14(c) of the Mortgage.

(5) All rights of redemption in respect of the Mortgage will be extinguished upon the consummation of a sale of the Mortgaged Property pursuant to any remedial provisions provided for in the Mortgage, [or if the foregoing is not the case, the opinion shall specify the period of time which must expire following such consummation in order for said rights of redemption to be extinguished under local law, and shall state whether the applicable result obtains as a matter of law or pursuant to any waiver provided for in the Mortgage].

(6) There are no changes or additions to the Mortgage and other Loan Documents which are required by local law, and none which are customary in local



practice and which would not unreasonably enhance the rights and benefits of Lender thereunder.

(7) To such other effects as Lender or its counsel may reasonably require.

EXHIBIT D

Note

\$ \_\_\_\_\_

New York, New York  
\_\_\_\_\_, 200\_\_

For value received, [NAME OF BORROWER], a \_\_\_\_\_ ("Maker") hereby covenants and promises to pay to the order of [NAME OF LENDER] or its successors or assigns (collectively, "Lender"), at the principal office of [NAME OF ADMINISTRATIVE AGENT] located at \_\_\_\_\_ ("Administrative Agent") for the account of the Applicable Lending Office of Lender, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Maker also covenants and promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the time and at a rate per annum as provided in the Loan Agreement (as defined below). Any amount or principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the Default Rate.

This Note is one of the Notes referred to in the Term Loan Agreement dated as of the date hereof (as the same may be amended or supplemented from time to time, the "Loan Agreement") among Maker, as Borrower, the lenders named therein (including Lender), as Lenders, and Administrative Agent, as Administrative Agent for Lenders. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

This Note is secured by the Mortgage which contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events. Reference to the Mortgage is hereby made for a description of the "Mortgaged Property" encumbered thereby and the rights of Maker and Lenders (including Lender) with respect to such Mortgaged Property.

Maker agrees that it shall be bound by any agreement extending the time or modifying the terms of payment set forth above and in the Loan Agreement, made by or on behalf of Lenders and the owner or owners of the Mortgaged Property, whether with or without notice to Maker, and Maker shall continue liable to pay the amount due hereunder in accordance with the terms set forth herein and in the Loan Agreement, but with interest at a rate no greater than the rate of interest provided therein, according to the terms of any such agreement of extension or modification.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or any other court proceeding (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon default, Maker agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses.

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

This Note shall be governed by the Laws of the State of New York (without giving effect to New York's principles of conflicts of law), provided that, as to the maximum lawful rate of interest which may be charged or collected, if the Laws applicable to Lender permit it to charge or collect a higher rate than the Laws of the State of New York, then such Law applicable to Lender shall apply to Lender under this Note.

Anything herein to the contrary notwithstanding, the obligations of Maker under this Note shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by Lender would be contrary to provisions of Law applicable to Lender limiting the maximum rate of interest that may be charged or collected by Lender.

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the date first above written.

[NAME OF BORROWER]

By

-----

Name:

Title:

EXHIBIT E-1

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

This Certificate is furnished pursuant to Section 6.11(3) of that certain Loan Agreement ("Loan Agreement") by and among HEATHCOTE ASSOCIATES, L.P., ACADIA TOWN LINE, LLC, RD BRANCH ASSOCIATES, L.P., RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, and RD METHUEN ASSOCIATES LIMITED PARTNERSHIP (collectively and individually, as the context requires, "Borrower") and FLEET NATIONAL BANK ("Lender"), Section 6.11(3) of which Loan Agreement was agreed to and acknowledged by ACADIA REALTY LIMITED PARTNERSHIP ("Guarantor"). Capitalized terms used in this Certificate and Schedule 1 attached hereto, unless otherwise defined herein or in said Schedule 1, have the meanings given to them in the Loan Agreement.

The undersigned, the \_\_\_\_\_ of Guarantor, hereby certifies to Lender that Schedule 1 attached hereto sets forth the financial data and computations relating to Guarantor's compliance with the Liquidity Requirement, which data and computations, to the best knowledge and belief of the undersigned, are true, complete and correct.

The undersigned certifies that he/she is authorized to execute and deliver this Certificate on behalf of Guarantor.

WITNESS my hand this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

-----  
Name:

EXHIBIT E-2

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

This Certificate is furnished pursuant to Section 6.11(3) of that certain Loan Agreement ("Loan Agreement") by and among RD BRANCH ASSOCIATES, L.P., RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, and RD METHUEN ASSOCIATES LIMITED PARTNERSHIP (collectively and individually, as the context requires, "Borrower") and FLEET NATIONAL BANK ("Lender"), Section 6.11(3) of which Loan Agreement was agreed to and acknowledged by ACADIA REALTY LIMITED PARTNERSHIP ("Guarantor"). Capitalized terms used in this Certificate and Schedule 1 attached hereto, unless otherwise defined herein or in said Schedule 1, have the meanings given to them in the Loan Agreement.

The undersigned, the \_\_\_\_\_ of Guarantor, hereby certifies to Lender that Schedule 1 attached hereto sets forth the audited financial data and computations relating to Guarantor's compliance with the Net Worth Requirement and the Liquidity Requirement, which data and computations, to the best knowledge and belief of the undersigned, are true, complete and correct.

The undersigned certifies that he/she is authorized to execute and deliver this Certificate on behalf of Guarantor.

WITNESS my hand this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

-----  
Name:

EXHIBIT F

AUTHORIZATION LETTER

\_\_\_\_\_, 200\_

[Name and address of Administrative Agent]

Re: Term Loan Agreement dated as of \_\_\_\_\_,  
200\_ (the "Loan Agreement"; capitalized terms  
not otherwise defined herein shall have the  
meanings ascribed to such terms in the Loan  
Agreement) among us, as Borrower, the Lenders  
named therein, and you, as Administrative Agent  
for said Lenders

Dear Sir/Madam:

In connection with the captioned Loan Agreement, we hereby designate any of the following persons to give to you instructions, including notices required pursuant to the Loan Agreement, orally, by telephone or teleprocess, or in writing:

Michael Nelson  
Robert Masters  
Maggie Hui

Instructions may be honored on the oral, telephonic, teleprocess or written instructions of anyone purporting to be any one of the above designated persons even if the instructions are for the benefit of the person delivering them. We will furnish you with written confirmation of each such instruction signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you, but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents.

You and Lenders shall be fully protected in, and shall incur no liability to us for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you or Lenders be liable for special, consequential or punitive damages. In addition, we agree to hold you and Lenders and your and their respective agents harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that we provide to you in connection with the Loan Agreement except for liability, loss or expense occasioned by your gross negligence or willful misconduct.

Upon notice to us, you may, at your option, refuse to execute any instruction, or part thereof, without incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that we have agreed to in writing.

We will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no longer be authorized.

Very truly yours,

[BORROWER]

By

-----  
Name:  
Title:

SCHEDULE A

Payment Date	Loan Amount Reduction/ Amortization Payment
-----	-----
June 1, 2005	\$ 600,000
June 1, 2006	\$ 1,200,000
June 1, 2007	\$ 2,000,000
June 1, 2008	\$ 2,725,000
June 1, 2009	\$ 3,500,000
June 1, 2010	\$ 4,500,000
June 1, 2011	\$ 5,400,000



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C	Contents of Opinion Letters
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E-1	Quarterly Financial Covenant Compliance Certificate
E-2	Annual Financial Covenant Compliance Certificate
F	Authorization Letter

=====  
Dated as of June 30, 2004

MORTGAGE MODIFICATION AGREEMENT

between

ACADIA TOWN LINE, LLC,  
a Connecticut limited liability company,  
Mortgagor,

and

FLEET NATIONAL BANK, as  
Administrative Agent for Lenders (as hereinafter defined)  
(together with its successors in such capacity, "Mortgagee")

=====  
RECORD AND RETURN TO:

Schiff Hardin LLP  
623 Fifth Avenue, 28th Floor  
New York, New York 10022  
Attention: Paul G. Mackey, Esq.

MORTGAGE MODIFICATION AGREEMENT

MORTGAGE MODIFICATION AGREEMENT dated this 30th day of June, 2004 between ACADIA TOWN LINE, LLC ("Mortgagor") and FLEET NATIONAL BANK, as Administrative Agent ("Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagee is now the lawful owner and holder of the note (collectively, the "Original Note") secured by that certain Open-End Mortgage Deed, Security Agreement and Assignment of Leases and Rents from Mortgagor to Fleet Bank, National Association dated as of March 23, 1999 and recorded in the Land Records of Hartford County, Connecticut in Volume 340 at page 264 (the "Original Mortgage");

WHEREAS, the maximum principal amount which is or under any contingency may be secured by the Original Mortgage prior to the effect of this Mortgage Modification Agreement is \$7,000,000, plus interest thereon and all additional interest and late payment and prepayment charges in respect thereof, plus all amounts expended by Mortgagee following a default thereunder in respect of insurance premiums and real estate taxes, and all legal costs or expenses of collection of the note(s) secured thereby or of the defense or prosecution of the rights and lien created thereby;

WHEREAS, Mortgagee, Mortgagor, RD Abington Associates Limited Partnership ("Abington Mortgagor"), RD Methuen Associates Limited Partnership ("Methuen Mortgagor"), RD Branch Associates, L.P. ("Branch Mortgagor") and Heathcote Associates, L.P. ("Gateway Mortgagor") have entered into that certain Amended and Restated Term Loan Agreement dated as of the date hereof (the "Amended and Restated Loan Agreement"), which Amended and Restated Loan Agreement consolidates the Original Note with certain other notes and extends, amends and restates the terms thereof in their entirety;

WHEREAS, the notes consolidated and modified pursuant to the Amended and Restated Loan Agreement (as the same may hereafter be modified, amended, extended, restated or replaced from time to time, the "Note") evidence a consolidated indebtedness (the "Consolidated Indebtedness") in the principal amount of up to \$45,900,000 and Mortgagor and Mortgagee have agreed to increase the Mortgage Amount of the Original Mortgage to \$45,900,000 in order that the Original Mortgage, as modified hereby, shall secure the entire Consolidated Indebtedness;

WHEREAS, the Original Mortgage is a first priority mortgage encumbering the property described on SCHEDULE A attached hereto and made a part hereof (the "Premises");

WHEREAS, Mortgagor is the lawful owner of the Premises; and

WHEREAS, Mortgagee and Mortgagor have agreed to modify, amend and restate in their entirety the terms of the Original Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein expressed, the parties hereto covenant and agree as follows:

1. The Original Mortgage is hereby amended and restated in its entirety by the terms and conditions attached hereto as Exhibit A.

2. Mortgagor represents and warrants that there exist no defenses, offsets or counterclaims with respect to its obligations under the Original Mortgage, as modified hereby, or under the Note.

3. Except as modified hereby the Original Mortgage remains unmodified and in full force and effect.

4. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns.

5. This Agreement may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument.

6. The maturity date of the Note is June 29, 2012.

7. The information set forth on the cover hereof is incorporated herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto as of the day and year first above written.

ACADIA TOWN LINE, LLC

By: Acadia Realty Limited Partnership,  
a Delaware limited partnership,  
its sole member

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

By

-----  
Robert Masters  
Senior Vice President

FLEET NATIONAL BANK, as Administrative  
Agent

By

-----  
Denise M. Smyth  
Vice President

The undersigned joins in the execution and authorizes the delivery of this Mortgage Modification Agreement for the purpose of confirming and reaffirming its acceptance and agreement to the provisions of paragraph 3.19 of the Mortgage as amended and restated hereby.

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust,  
its general partner

By

-----  
Robert Masters  
Senior Vice President



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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Robert Masters, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Denise M. Smyth, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

SCHEDULE A

=====  
Dated as of June 30, 2004

MORTGAGE MODIFICATION AGREEMENT

between

HEATHCOTE ASSOCIATES, L.P.,  
a New York limited partnership,  
Mortgagor,

and

FLEET NATIONAL BANK, as  
Administrative Agent for Lenders (as hereinafter defined)  
(together with its successors in such capacity, "Mortgagee")

This instrument affects real and personal property situated at the northeast  
corner of Shelbourne Road and Interstate 189 in South Burlington, Vermont.

=====  
RECORD AND RETURN TO:  
Schiff Hardin LLP  
623 Fifth Avenue, 28th Floor  
New York, New York 10022  
Attention: Paul G. Mackey, Esq.

MORTGAGE MODIFICATION AGREEMENT

MORTGAGE MODIFICATION AGREEMENT dated this 30th day of June, 2004 between HEATHCOTE ASSOCIATES, L.P. ("Mortgagor") and FLEET NATIONAL BANK, as Administrative Agent ("Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagee is now the lawful owner and holder of the note (collectively, the "Original Note") secured by that certain Mortgage, Assignment of Leases and Rents and Security Agreement from Mortgagor to Mortgagee dated as of April 16, 2002 and recorded in the Office of the Suffolk County Clerk, New York on April 17, 2002 in Volume 548 at page 267 (the "Original Mortgage");

WHEREAS, the maximum principal amount which is or under any contingency may be secured by the Original Mortgage prior to the effect of this Mortgage Modification Agreement is \$9,350,000, plus interest thereon and all additional interest and late payment and prepayment charges in respect thereof, plus all amounts expended by Mortgagee following a default thereunder in respect of insurance premiums and real estate taxes, and all legal costs or expenses of collection of the note(s) secured thereby or of the defense or prosecution of the rights and lien created thereby;

WHEREAS, Mortgagee, Mortgagor, RD Abington Associates Limited Partnership ("Abington Mortgagor"), RD Methuen Associates Limited Partnership ("Methuen Mortgagor"), RD Branch Associates, L.P. ("Branch Mortgagor") and Acadia Town Line, LLC ("Town Line Mortgagor") have entered into that certain Amended and Restated Term Loan Agreement dated as of the date hereof (the "Amended and Restated Loan Agreement"), which Amended and Restated Loan Agreement consolidates the Original Note with certain other notes and extends, amends and restates the terms thereof in their entirety;

WHEREAS, the notes consolidated and modified pursuant to the Amended and Restated Loan Agreement evidence a consolidated indebtedness (the "Consolidated Indebtedness") in the principal amount of up to \$45,900,000 and Mortgagor and Mortgagee have agreed to increase the Mortgage Amount of the Original Mortgage to \$45,900,000 in order that the Original Mortgage, as modified hereby, shall secure the entire Consolidated Indebtedness;

WHEREAS, the Original Mortgage is a first priority mortgage encumbering the property described on SCHEDULE A attached hereto and made a part hereof (the "Premises");

WHEREAS, Mortgagor is the lawful owner of the Premises; and

WHEREAS, Mortgagee and Mortgagor have agreed to modify the terms of the Original Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein expressed, the parties hereto covenant and agree as follows:

1. The definition of the term "Mortgage Amount" in the Original Mortgage is hereby changed to \$45,900,000 such that the principal amount secured by the Original Mortgage as modified hereby is increased to \$45,900,000 or so much thereof as is advanced and outstanding pursuant to the terms of the Amended and Restated Loan Agreement. Capitalized terms used in the Original Mortgage and not otherwise defined shall have the meanings attributed to them in the Amended and Restated Loan Agreement.

2. The following definitions of the terms "Hedging Agreement" and "Loan Note" are hereby added to the Original Mortgage:

" 'Hedging Agreement' shall mean, collectively, the ISDA Master Agreement and/or other documentation with respect to an interest rate hedging transaction entered into by and between Acadia Realty Limited Partnership and Counterparty dated as of August 23, 2001, as assigned to Abington Mortgagor, Methuen Mortgagor and/or Branch Mortgagor by Acadia Realty Limited Partnership, as well as any interest rate swap, cap or other interest rate protection agreement between Mortgagor and Counterparty, as any of the same may be amended, modified or supplemented from time to time, including any and all "confirmations" under any thereof."

" 'Loan Note' shall mean the Notes, as defined in the Amended and Restated Loan Agreement, as the same may hereafter be amended, modified, extended, severed, assigned, consolidated with other notes, renewed, replaced or restated."

3. As used in the Original Mortgage, the term "Loan Agreement" shall mean the Amended and Restated Loan Agreement, as the same may be modified, amended or supplemented from time to time and the term "Note" shall mean, collectively, the Loan Note and the Hedging Agreement.

4. Anything to the contrary contained herein notwithstanding, the maximum principal amount which is or under any contingency may be secured by the Original Mortgage as modified hereby is \$45,900,000, plus interest thereon and all additional interest and late payment and prepayment charges in respect thereof, plus all amounts expended by Mortgagee following a default thereunder in respect of insurance premiums and real estate taxes, and all legal costs or expenses of collection of the note(s) secured thereby or of the defense or prosecution of the rights and lien created thereby.

5. Mortgagor represents and warrants that there exist no defenses, offsets or counterclaims with respect to its obligations under the Original Mortgage, as modified hereby, or under the Note.

6. Except as modified hereby the Original Mortgage remains unmodified and in full force and effect.

7. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns.

8. This Agreement and the rights and obligations of the parties hereto shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of Vermont (without giving effect to Vermont's choice of law principles).

9. This Agreement may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument.

10. The information set forth on the cover hereof is incorporated herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto as of the day and year first above written.

HEATHCOTE ASSOCIATES, L.P.,  
a New York limited partnership

By: Acadia Heathcote, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, a Delaware  
limited partnership,  
its sole member

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

Witness:

- - - - -

By

Print Name:

-----  
Robert Masters  
Senior Vice President

Witness:

FLEET NATIONAL BANK, as Administrative  
Agent

- - - - -

By

Print Name:

-----  
Denise M. Smyth  
Vice President

The undersigned joins in the execution and authorizes the delivery of this Mortgage Modification Agreement for the purpose of confirming and reaffirming its acceptance and agreement to the provisions of paragraph 3.16 of the Original Mortgage.

ACADIA REALTY LIMITED PARTNERSHIP

Witness:

By: Acadia Realty Trust,  
its general partner

- - - - -

By

Print Name:

-----  
Robert Masters  
Senior Vice President



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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Robert Masters, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Denise M. Smyth, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

SCHEDULE A

Section: 004.00  
Block: 02.00  
Lots: 003.000 and 004.000

=====  
Dated as of June 30, 2004

MORTGAGE MODIFICATION AGREEMENT

between

RD BRANCH ASSOCIATES, L.P.,  
a New York limited partnership,  
Mortgagor,

and

FLEET NATIONAL BANK, as  
Administrative Agent for Lenders (as hereinafter defined)  
(together with its successors in such capacity, "Mortgagee")

This instrument affects real and personal property situated at 126 East Main  
Street, Smithtown, New York 11787.

=====  
RECORD AND RETURN TO:  
Schiff Hardin LLP  
623 Fifth Avenue, 28th Floor  
New York, New York 10022  
Attention: Paul G. Mackey, Esq.

MORTGAGE MODIFICATION AGREEMENT

MORTGAGE MODIFICATION AGREEMENT dated this 30th day of June, 2004 between RD BRANCH ASSOCIATES, L.P. ("Mortgagor") and FLEET NATIONAL BANK, as Administrative Agent ("Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagee is now the lawful owner and holder of the note (collectively, the "Original Note") secured by that certain Leasehold Mortgage, Assignment of Leases and Rents and Security Agreement from Mortgagor to Mortgagee dated as of December 28, 2001 and recorded in the Office of the Suffolk County Clerk, New York on January 14, 2002 in Liber M00020006 at page 819 (the "Original Mortgage");

WHEREAS, the maximum principal amount which is or under any contingency may be secured by the Mortgage prior to the effect of this Mortgage Modification Agreement is \$15,000,000, plus interest thereon and all additional interest and late payment and prepayment charges in respect thereof, plus all amounts expended by Mortgagee following a default thereunder in respect of insurance premiums and real estate taxes, and all legal costs or expenses of collection of the note(s) secured thereby or of the defense or prosecution of the rights and lien created thereby;

WHEREAS, Mortgagee, Mortgagor, RD Abington Associates Limited Partnership ("Abington Mortgagor"), RD Methuen Associates Limited Partnership ("Methuen Mortgagor"), Heathcote Associates, L.P. ("Gateway Mortgagor") and Acadia Town Line, LLC ("Town Line Mortgagor") have entered into that certain Amended and Restated Term Loan Agreement Agreement dated as of the date hereof (the "Amended and Restated Loan Agreement"), which Amended and Restated Loan Agreement consolidates the Original Note with certain other notes and amends, extends and restates the terms thereof in their entirety;

WHEREAS, the Mortgage is a first priority mortgage encumbering the property described on SCHEDULE A attached hereto and made a part hereof (the "Premises");

WHEREAS, Mortgagor is the lawful owner of the Premises; and

WHEREAS, Mortgagee and Mortgagor have agreed to modify the terms of the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein expressed, the parties hereto covenant and agree as follows:

1. As used in the Original Mortgage, the term "Loan Agreement" shall mean the Amended and Restated Loan Agreement, as the same may be modified, amended or supplemented from time to time and the term "Loan Note" shall mean the

"Note" as defined in the Amended and Restated Loan Agreement. Capitalized terms used in the Original Mortgage and not otherwise defined shall have the meanings attributed to them in the Amended and Restated Loan Agreement.

2. Anything to the contrary contained herein notwithstanding, the maximum principal amount which is or under any contingency may be secured by the Mortgage is \$15,000,000.00, plus interest thereon and all additional interest and late payment and prepayment charges in respect thereof, plus all amounts expended by Mortgagee following a default thereunder in respect of insurance premiums and real estate taxes, and all legal costs or expenses of collection of the note(s) secured thereby or of the defense or prosecution of the rights and lien created thereby.

3. Mortgagor hereby certifies that the Original Mortgage, as modified by this Agreement, secures the same portion of the indebtedness evidenced by the Original Note which is secured by the Original Mortgage, as modified hereby, and secures no new or further indebtedness.

4. Mortgagor represents and warrants that there exist no defenses, offsets or counterclaims with respect to its obligations under the Original Mortgage, as modified hereby, or under the Note.

5. Except as modified hereby the Original Mortgage remains unmodified and in full force and effect.

6. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns.

7. This Agreement and the rights and obligations of the parties hereto shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of New York (without giving effect to New York's choice of law principles).

8. This Agreement may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument.

9. The information set forth on the cover hereof is incorporated herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto as of the day and year first above written.

RD BRANCH ASSOCIATES, L.P., a New York limited partnership

By: Acadia Property Holdings, LLC,  
its general partner

By: Acadia Realty Limited Partnership, a Delaware limited partnership, its sole member

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

By

-----  
Robert Masters  
Senior Vice President

FLEET NATIONAL BANK, as Administrative Agent

By

-----  
Denise M. Smyth  
Vice President

The undersigned joins in the execution and authorizes the delivery of this Mortgage Modification Agreement for the purpose of confirming and reaffirming its acceptance and agreement to the provisions of paragraph 3.17 of the Original Mortgage.

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust,  
its general partner

By

-----  
Robert Masters  
Senior Vice President

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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Robert Masters, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----



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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Denise M. Smyth, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

SCHEDULE A

=====  
Dated as of June 30, 2004

MORTGAGE MODIFICATION AGREEMENT

between

RD METHUEN ASSOCIATES LIMITED PARTNERSHIP,  
a Massachusetts limited partnership,  
Mortgagor,

and

FLEET NATIONAL BANK, as  
Administrative Agent for Lenders (as hereinafter defined)  
(together with its successors in such capacity, "Mortgagee")

=====  
RECORD AND RETURN TO:  
Schiff Hardin LLP  
623 Fifth Avenue, 28th Floor  
New York, New York 10022  
Attention: Paul G. Mackey, Esq.

MORTGAGE MODIFICATION AGREEMENT

MORTGAGE MODIFICATION AGREEMENT dated this 30th day of June, 2004 between RD METHUEN ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership ("Mortgagor") and FLEET NATIONAL BANK, as Administrative Agent ("Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagee is now the lawful owner and holder of the note (collectively, the "Original Note") secured by that certain Fee and Leasehold Mortgage, Assignment of Leases and Rents and Security Agreement from Mortgagor to Mortgagee dated as of December 28, 2001 and recorded in the Office of the Essex Registry of Deeds, Essex County, Massachusetts on January 3, 2002 in Book 6589 at page 1 (the "Original Mortgage");

WHEREAS, the mortgage amount of the Mortgage prior to the effect of this Mortgage Modification Agreement is \$23,000,000;

WHEREAS, Mortgagee, Mortgagor, RD Abington Associates Limited Partnership ("Abington Mortgagor"), RD Branch Associates Limited Partnership ("Branch Mortgagor"), Heathcote Associates, L.P. ("Gateway Mortgagor") and Acadia Town Line, LLC ("Town Line Mortgagor") have entered into that certain Amended and Restated Term Loan Agreement Agreement dated as of the date hereof (the "Amended and Restated Loan Agreement"), which Amended and Restated Loan Agreement consolidates the Original Note with certain other notes and amends, extends and restates the terms thereof in their entirety;

WHEREAS, the Mortgage is a first priority mortgage encumbering the property described on SCHEDULE A attached hereto and made a part hereof (the "Premises");

WHEREAS, Mortgagor is the lawful owner of the Premises; and

WHEREAS, Mortgagee and Mortgagor have agreed to modify the terms of the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein expressed, the parties hereto covenant and agree as follows:

1. As used in the Original Mortgage, the term "Loan Agreement" shall mean the Amended and Restated Loan Agreement, as the same may be modified, amended or supplemented from time to time and the term "Loan Note" shall mean the "Note" as defined in the Amended and Restated Loan Agreement. Capitalized terms used in the Original Mortgage as modified hereby and not otherwise defined shall have the meanings attributed to them in the Amended and Restated Loan Agreement.

2. The definition of the term "Mortgage Amount" in the Original Mortgage is hereby changed to \$45,900,000 such that the principal amount secured by the Original Mortgage as modified hereby is increased to \$45,900,000 or so much thereof as is advanced and outstanding pursuant to the terms of the Amended and Restated Loan Agreement.

3. Mortgagor represents and warrants that there exist no defenses, offsets or counterclaims with respect to its obligations under the Original Mortgage, as modified hereby, or under the Note.

4. Except as modified hereby the Original Mortgage remains unmodified and in full force and effect.

5. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns.

6. This Agreement may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument.

7. The information set forth on the cover hereof is incorporated herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto intending same to be effective as a sealed instrument as of the day and year first above written.

RD METHUEN ASSOCIATES LIMITED  
PARTNERSHIP, a Massachusetts limited  
partnership

By: Acadia Property Holdings, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, a Delaware limited  
partnership, its sole member

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

Attest:

-----

Name:  
Title:

By

-----  
Robert Masters  
Senior Vice President

Attest:

FLEET NATIONAL BANK, as Administrative  
Agent

-----

Name:  
Title:

By

-----  
Denise M. Smyth  
Vice President

The undersigned joins in the execution and authorizes the delivery of this Mortgage Modification Agreement for the purpose of confirming and reaffirming its acceptance and agreement to the provisions of paragraph 3.17 of the Original Mortgage.

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust,  
its general partner

By

-----

Robert Masters  
Senior Vice President

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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Robert Masters, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----



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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Denise M. Smyth, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

SCHEDULE A

Parcel One:

Fee Parcel

Two certain parcels of land, together with the buildings and improvements thereon, situated on the Northerly side of Pleasant Valley Street in Methuen, Essex County, Massachusetts, being shown as Lots 6 and 11 on a plan entitled "Plan of Property Owned By Town of Methuen [and] First Hartford Realty Corporation, Pleasant Valley Street, Methuen, Massachusetts", dated August 29, 1975, and drawn by Cullinan Engineering Co., Inc., which plan is recorded with the Essex North District Registry of Deeds as Plan #7289. Said Lots 6 and 11 are together more particularly bounded and described, according to said plan, as follows:

Beginning at the Southwesterly comer thereof, on the Northerly side of said Pleasant Valley Street, being on the Northeasterly sideline of Lot 8, said point being S 37(degree) 18' 50" E 46.98 feet distance from a Stone Bound at the Southeasterly corner of land now or formerly of Vinciguerra;

thence running

- |                        |  |
|------------------------|--|
| N 37(Degree) 18' 50" W | by said Lot 8 (now a portion of said Pleasant Valley Street by virtue of a Taking made by the Essex County Commissioners dated January 23, 1973, and recorded with said Deeds in Book 1211, Page 646), 46.98 feet to said Stone Bound at land now or formerly of Vinciguerra; thence turning and running   |
| N 31(Degree) 52' 00" W | by said land now or formerly of Vinciguerra, 258.69 feet to a point at the intersection of land which is part of Old Pleasant Valley Street and Lot 7 (now also a part of said Old Pleasant Valley Street by virtue of a deed from First Hartford Realty Corporation to the Inhabitants of the Town of Methuen, dated July 7, 1972, and recorded with said Deeds in Book 1209, Page 226); thence turning and running |
| SOUTHEASTERLY          | by said Lot 7, on a curve to the right having a radius of 25.00 feet, a distance of 38.96 feet to a point; thence turning and running  |
| EASTERLY               | and NORTHERLY still by said Lot 7, and by the end of said Old Pleasant Valley Street, on a curve to the left having a radius of 75.00 feet, a distance of 265.93 feet to a point; thence turning and running   |
| N 77(Degree) 54' 15" W | still by the end of said Old Pleasant Valley Street, 64.48 feet to a Mass. Highway Bound on the Southerly side of Route 213; thence turning and running  |

N 57(Degree) 21' 27" E           by said Route 213, 233.72 feet to a point; thence turning and running

NORTHEASTERLY                   still by said Route 213, on a curve to the right having a radius of 4900.00 feet, a distance of 520.54 feet to a point at Lot 2; thence turning and running

S 29(Degree) 28' 17" E           by said Lot 2, 60.08 feet to a point at Lot 1; thence turning and running

N 69(Degree) 08' 21" E           by said Lot 1, 126.41 feet to a point: thence turning and running

S 43(Degree) 51' 11" E           still by said Lot 1, 242.14 feet to a point; thence turning and running

S 09(Degree) 49' 09" E           still by said Lot 1, 377.11 feet to a point on the Northerly side of said Pleasant Valley Street (formerly Lot 9 prior to the aforesaid Taking by the Essex County Commissioners); thence turning and running

SOUTHWESTERLY                   by said Pleasant Valley Street, on a curve to the left having a radius of 3100.00 feet, a distance of 929.76 feet to the point of beginning.

The respective areas of said Lots 6 and 11 are as follows:

Lot 6 - 10.393 Acres +/-  
Lot 11 - 1.002 Acres +/-

Parcel Two:

Leasehold Parcel

A certain parcel of land situated on the Northerly side of Pleasant Valley Street in Methuen, Essex County Massachusetts, being a portion of Lots 1 and 2 on a plan entitled "Plan of Property Owned By Town of Methuen [and] First Hartford Realty Corporation, Pleasant Valley Street, Methuen, Massachusetts", dated August 29, 1975, and drawn by Cullinan Engineering Co., Inc., which plan is recorded with the Essex North District Registry of Deeds as Plan #7289. Said Leasehold Parcel is more particularly bounded and described, according to said plan, as follows:

Beginning at the Southwesterly corner thereof, on the Northerly side of said Pleasant Valley Street and at the Southeasterly corner of Lot 6, thence running

N 09(Degree) 49' 09" W by said Lot 6, 377.11 feet to a point; thence turning and running

N 43(Degree) 51' 11" W still by said Lot 6, 242.14 feet to a point at Lot 1; thence turning and running

N 73(Degree) 39' 58" E in part through said Lot 1 and continuing on the same course into said Lot 2, 218.16 feet to a point; thence turning and running

S 61(Degree) 28' 24" E through said Lot 2, 22.63 feet to a point; thence turning and running

S 16(Degree) 28' 27" E through said Lot 2 and through said Lot 1, 557.20 feet to a point; thence turning and running

S 26(Degree) 59' 53" W through said Lot 1, 56.70 feet to a point on the Northerly side of said Pleasant Valley Street; thence turning and running

SOUTHWESTERLY by said Pleasant Valley Street, on a curve to the left having a radius of 3100.00 feet, a distance of 130.00 feet to the point of beginning.

Said Leasehold Parcel contains, according to said plan, 2.160 Acres+/-.

The Leasehold Estate in the above-described premises was created pursuant to the terms of a Lease between Carlyle Real Estate Limited Partnership-72, as Lessor, and First Hartford Realty Corporation, as Lessee, dated as of June 21, 1974, recorded with said Deeds in Book 1245, Page 523, as amended by instrument dated July 18, 1974, and recorded in said Deeds, in Book 1245, Page 548, the Lessee's interest therein having been assigned to JMB Income Properties, Ltd.-1973 by instrument recorded with said Deeds in Book 1251, Page 688, and further assigned by JMB Income Properties, Ltd.-1973 to Metropolitan Life Insurance Company by a Quitclaim Deed and Assignment and Assumption of Ground Lease dated May 30, 1984, and recorded with said Deeds in Book 1815, Page 97.

Parcel Three:

Easement Parcel

The non-exclusive perpetual easement, rights, privileges of use, ingress and egress and all other purposes created and granted as appurtenant to Parcel One described above, in and by that certain Easement Grant dated June 21, 1974 from Carlyle Real Estate Limited Partnership-72 to First Hartford Realty Corporation recorded with Essex North District Registry of Deeds in Book 1245, page 551.

THE MORTGAGE MODIFIED HEREBY IS AN OPEN-END MORTGAGE AND SECURES FUTURE ADVANCES

(All notices to be given to Mortgagee pursuant to 42 Pa. C.S.A. Section 8143 shall be given as set forth in Section 4.2 of this Mortgage.)

Pennsylvania

Tax Parcel Identification Nos.  
Abington Towne Center  
30-00-49884-00-9

=====

Date: As of June 30, 2004

MORTGAGE MODIFICATION AGREEMENT

FROM

RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP,  
a Delaware limited partnership

("Mortgagor")

Address of Mortgagor: c/o Acadia Realty Trust  
20 Soundview Marketplace  
Port Washington, New York 11050

TO

FLEET NATIONAL BANK, as  
Administrative Agent for Lenders (as hereinafter defined)  
(together with its successors in such capacity, "Mortgagee")

Address of Mortgagee: 1185 Avenue of the Americas, 16th Floor  
New York, New York 10036

Mortgage Amount: \$45,900,000

=====

RECORD AND RETURN TO:  
Schiff Hardin LLP  
623 Fifth Avenue, 28th Floor  
New York, New York 10022  
Attention: Paul G. Mackey, Esq.

MORTGAGE MODIFICATION AGREEMENT

MORTGAGE MODIFICATION AGREEMENT dated this 30th day of June, 2004 between RD ABINGTON ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("Mortgagor") and FLEET NATIONAL BANK, as Administrative Agent ("Mortgagee").

W I T N E S S E T H:

WHEREAS, Mortgagee is now the lawful owner and holder of the note (collectively, the "Original Note") secured by that certain Mortgage, Assignment of Leases and Rents and Security Agreement from Mortgagor to Mortgagee dated as of December 28, 2001 and recorded in the Office of the Suffolk County Clerk, New York on January 14, 2002 in Liber M00020006 at page 819 (the "Original Mortgage");

WHEREAS, the mortgage amount of the Mortgage prior to the effect of this Mortgage Modification Agreement is \$23,000,000;

WHEREAS, Mortgagee, Mortgagor, RD Branch Associates, L.P. ("Branch Mortgagor"), RD Methuen Associates Limited Partnership ("Methuen Mortgagor"), Heathcote Associates, L.P. ("Gateway Mortgagor") and Acadia Town Line, LLC ("Town Line Mortgagor") have entered into that certain Amended and Restated Term Loan Agreement dated as of the date hereof (the "Amended and Restated Loan Agreement"), which Amended and Restated Loan Agreement consolidates the Original Note with certain other notes and amends, extends and restates the terms thereof in their entirety;

WHEREAS, the Mortgage is a first priority mortgage encumbering the property described on SCHEDULE A attached hereto and made a part hereof (the "Premises");

WHEREAS, Mortgagor is the lawful owner of the Premises; and

WHEREAS, Mortgagee and Mortgagor have agreed to modify the terms of the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein expressed, the parties hereto covenant and agree as follows:

1. As used in the Original Mortgage, the term "Loan Agreement" shall mean the Amended and Restated Loan Agreement, as the same may be modified, amended or supplemented from time to time and the term "Loan Note" shall mean the "Note" as defined in the Amended and Restated Loan Agreement. Capitalized terms used in the Original Mortgage as modified hereby and not otherwise defined shall have the meanings attributed to them in the Amended and Restated Loan Agreement.

2. The definition of the term "Mortgage Amount" in the Original Mortgage is hereby changed to \$45,900,000 such that the principal amount secured by the Original Mortgage as modified hereby is increased to \$45,900,000 or so much thereof as is advanced and outstanding pursuant to the terms of the Amended and Restated Loan Agreement.

3. The original Mortgage, as modified hereby (this "Mortgage"), is an "Open-End Mortgage" as set forth in 42 Pa. C.S.A. Section 8143 and secures obligations up to a maximum amount of principal indebtedness outstanding at any time of \$91,800,000, plus accrued and unpaid interest and other sums thereon, including, but not limited to, Additional Interest, advances, whenever made, for the payment of taxes, assessments, maintenance charges, insurance premiums, costs incurred for the protection of the Premises or the lien of this Mortgage, expenses incurred by Mortgagee by reason of any default by Mortgagor under this Mortgage, including, without limitation, legal fees and costs incurred by Mortgagee in connection therewith, and advances for alteration or renovation on the Premises, together with all other sums due hereunder or under the Note or the Loan Agreement and other Loan Documents (as defined in the Loan Agreement) or secured hereby.

4. Without limiting the effectiveness of each provision of the Original Mortgage, as modified hereby, Section 3.22 of the Original Mortgage is restated below and Mortgagor has set forth its initials immediately below such Section for the purposes of specifically reaffirming the provisions thereof:

"Section 3.22. CONFESSION OF JUDGMENT. THE FOLLOWING SECTION SETS FORTH WARRANTS OF ATTORNEY FOR ANY ATTORNEY TO CONFESS JUDGMENTS AGAINST MORTGAGOR. IN GRANTING THESE WARRANTS OF ATTORNEY TO CONFESS JUDGMENTS AGAINST MORTGAGOR, MORTGAGOR HEREBY KNOWINGLY, INTENTIONALLY, VOLUNTARILY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS MORTGAGOR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE COMMONWEALTH OF PENNSYLVANIA AND THE UNITED STATES OF AMERICA.

FOR THE PURPOSES OF OBTAINING POSSESSION OF THE MORTGAGED PROPERTY, OR ANY PORTION(S) THEREOF, AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT, 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, BY COMPLAINT OR OTHERWISE, TO APPEAR FOR AND ENTER AND CONFESS JUDGMENT AGAINST MORTGAGOR, AND AGAINST ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, IN FAVOR OF MORTGAGEE, FOR

RECOVERY BY MORTGAGEE OF POSSESSION OF THE MORTGAGED PROPERTY, OR ANY PORTION(S) THEREOF, FOR WHICH THIS MORTGAGE, OR A COPY THEREOF VERIFIED BY AFFIDAVIT, SHALL BE A SUFFICIENT WARRANT; AND THEREUPON A WRIT OF POSSESSION MAY IMMEDIATELY ISSUE FOR POSSESSION OF THE MORTGAGED PROPERTY, OR SUCH PORTION(S) THEREOF, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER AND WITHOUT ANY STAY OF EXECUTION. IF FOR ANY REASON AFTER SUCH ACTION HAS BEEN COMMENCED IT SHALL BE DISCONTINUED, OR POSSESSION OF THE MORTGAGED PROPERTY, OR SUCH PORTION(S) THEREOF, SHALL REMAIN IN OR BE RESTORED TO MORTGAGOR, MORTGAGEE SHALL HAVE THE RIGHT FOR THE SAME EVENT OF DEFAULT OR ANY SUBSEQUENT EVENT OF DEFAULT TO BRING ONE OR MORE FURTHER ACTIONS OR ENTER AND CONFESS JUDGMENT ONE OR MORE TIMES AS ABOVE PROVIDED TO RECOVER POSSESSION OF THE MORTGAGED PROPERTY, OR ANY PORTION(S) THEREOF. MORTGAGEE MAY BRING AN ACTION IN EJECTMENT AND CONFESS JUDGMENT THEREIN BEFORE OR AFTER THE INSTITUTION OF PROCEEDINGS TO FORECLOSE THIS MORTGAGE OR TO ENFORCE THE NOTE, OR AFTER ENTRY OF JUDGMENT THEREIN OR ON THE NOTE, OR AFTER A SHERIFF'S SALE OR JUDICIAL SALE OR OTHER FORECLOSURE SALE OF THE MORTGAGED PROPERTY, OR ANY PORTION(S) THEREOF, IN WHICH MORTGAGEE IS THE SUCCESSFUL BIDDER, IT BEING THE UNDERSTANDING OF THE PARTIES THAT THE AUTHORIZATION TO PURSUE SUCH PROCEEDINGS FOR OBTAINING POSSESSION AND CONFESSION OF JUDGMENT THEREIN IS AN ESSENTIAL PART OF THE REMEDIES FOR ENFORCEMENT OF THIS MORTGAGE AND THE NOTE, THE LOAN AGREEMENT AND OTHER LOAN DOCUMENTS, AND SHALL SURVIVE ANY EXECUTION SALE TO MORTGAGEE.

MORTGAGOR (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF MORTGAGEE HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT SEEK TO EXERCISE OR ENFORCE THE FOREGOING PROVISIONS CONCERNING CONFESSION OF JUDGMENTS AND (II) ACKNOWLEDGES THAT THE ENTERING INTO BY MORTGAGEE OF THE LOAN SECURED BY THIS MORTGAGE HAS BEEN INDUCED BY, AMONG OTHER THINGS, THE INCLUSION HEREIN OF SAID PROVISIONS. MORTGAGOR FURTHER ACKNOWLEDGES THAT IT HAS HAD THE ASSISTANCE OF INDEPENDENT LEGAL COUNSEL, SELECTED OF MORTGAGOR'S OWN FREE WILL, IN THE REVIEW AND EXECUTION OF THIS MORTGAGE AND IN THE MAKING OF SAID PROVISIONS, THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS SAID PROVISIONS WITH SAID COUNSEL AND THAT THE MEANING AND EFFECT THEREOF HAVE BEEN FULLY EXPLAINED TO MORTGAGOR



BY SUCH COUNSEL, AND AS EVIDENCE OF SUCH FACT AN AUTHORIZED OFFICER OF MORTGAGOR SIGNS HIS/HER INITIALS.

-----  
(initials)

5. Mortgagor represents and warrants that there exist no defenses, offsets or counterclaims with respect to its obligations under the Original Mortgage, as modified hereby, or under the Note.

6. Except as modified hereby the Original Mortgage remains unmodified and in full force and effect.

7. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns.

8. This Agreement and the rights and obligations of the parties hereto shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of New York (without giving effect to New York's choice of law principles).

9. This Agreement may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument.

10. The information set forth on the cover hereof is incorporated herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto as of the day and year first above written.

RD ABINGTON ASSOCIATES LIMITED  
PARTNERSHIP, a Delaware limited  
partnership

By: Acadia Property Holdings, LLC,  
its general partner

By: Acadia Realty Limited  
Partnership, a Delaware limited  
partnership, its sole member

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

Attest:

By

-----  
Name:  
Title:

-----  
Robert Masters  
Senior Vice President

Attest:

FLEET NATIONAL BANK, as Administrative  
Agent

By

-----  
Name:  
Title:

-----  
Denise M. Smyth  
Vice President

The undersigned hereby certifies that Mortgagee's address is  
1185 Avenue of the Americas, New York, New York 10036.

-----  
Attorney for Mortgagee

The undersigned joins in the execution and authorizes the delivery of this Mortgage Modification Agreement for the purpose of confirming and reaffirming its acceptance and agreement to the provisions of paragraph 3.17 of the Original Mortgage.

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust, its general partner

By

-----  
Robert Masters  
Senior Vice President

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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Robert Masters, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

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

On the 30th day of June in the year 2004, before me, the undersigned, a notary public in and for said state, personally appeared Denise M. Smyth, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

-----  
Notary Public

My Commission Expires:

-----

SCHEDULE A

ALL THOSE CERTAIN units in the property known, named and identified as Abington Towne Center Condominium, located in Abington Township, Montgomery County, Commonwealth of Pennsylvania, which has heretofore been submitted to the provisions of the Uniform Condominium Act, 68 PA. C.S. 3101 et seq by the recorded in the Montgomery Department of Records of a Declaration dated 12/11/2000 and recorded on 1/23/2001 in Deed Book 5347 page 1656 being and designated as UNIT NOs. I and II together with a proportionate undivided interest in the Common Elements (as defined in such Declaration) of 6.35%, as to Unit Number I and 22.48% as to Unit Number II

WHICH said Condominium Units are wholly contained within the following metes and bounds descriptions:

UNIT I - ABINGTON TOWNE CENTER CONDOMINIUM - ABINGTON TOWNSHIP,  
MONTGOMERY COUNTY, COMMONWEALTH OF PENNSYLVANIA

ALL THAT CERTAIN lot or piece of ground known as Unit I of "Abington Towne Center Condominium", situate in Abington Township, Montgomery County, Commonwealth of Pennsylvania bounded and described according to a plan entitled "Exhibit X Plats and Plans, Abington Towne Center Condominium", prepared by Langan Engineering and Environmental Services, Inc., dated 6 June 2000, revised 13 July, 2000, being more particularly described as follows:

COMMENCING at a point on the Westerly side of Davidson Road (50 feet wide) at the intersection of the Westerly side of Davidson Road (50 feet wide) and the Northerly side of London Road (60 feet wide), thence extending Southwesterly along the arc of a circle curving to the right having a radius of 30 feet, the arc distance of 47.12 feet to the point of BEGINNING; thence extending along the Northerly side of London Road (60 feet wide) North 88 degrees 35 feet 20 seconds West, 307.90 feet to a point; thence extending along the Westerly line of Part 1 of Unit III North 01 degrees 09 minutes 33 seconds East, 177.58 feet to a point; thence extending along the Northerly line of Part 1 of Unit II South 88 degrees 36 minutes 33 seconds East 308.72 feet to a point; thence extending along the Westerly line of Part 3 of Unit III South 01 degree 24 minutes 40 seconds West, 176.70 feet to the point and place of BEGINNING.

SAID above described parcel of land. CONTAINING within said bounds, 1.26 acres more or less, including all restrictions and easements as shown on a plan entitled "ALTA/ACSM Survey Plan", dated 15 April, 2000, prepared by TEI Consulting Engineers, Inc., and also including certain rights to areas designated as "Service Drives" as shown on the plan entitled "Exhibit X Plats and Plans, Abington Towne Center Condominium".

PARTS 1, 2 AND 3 OF UNIT II - ABINGTON TOWNE CENTER CONDOMINIUM - ABINGTON  
TOWNSHIP, MONTGOMERY COUNTY, COMMONWEALTH OF PENNSYLVANIA

ALL THAT CERTAIN lots or pieces of ground as Parts 1, 2 and 3 of Unit II of "Abington Towne Center Condominium", situate in Abington Township, Montgomery County, Commonwealth of Pennsylvania bounded and described according to a plan entitled "Exhibit X Plats and Plans, Abington Towne Center Condominium", prepared by Langan Engineering and Environmental Services, Inc., dated 6 June 2000, revised 13 July, 2000, being more particularly described as follows:

PART 1 OF UNIT II - COMMENCING at a point on the Westerly side of Davidson Road (50 feet wide) at the intersection of the Westerly side of Davidson Road (50 feet wide) and the Northerly side of London Road (60 feet wide), thence extending Southwesterly along the arc of a circle having a radius of 30 feet, the arc distance of 47.12 feet to a point of tangency on the Northerly side of the aforementioned London Road, (60 feet wide); thence extending along the Easterly side of Unit I North 01 degrees 24 minutes 40 seconds East, 176.70 feet to the point of BEGINNING; thence extending along the Northerly line of Unit I North 88 degrees 36 minutes 33 seconds West, 308.72 feet to a point; thence extending along the Easterly line of Part 1 of Unit III North 1 degree 28 minutes 23 seconds East, 171.80 feet to a point on the Southwesterly corner of the main building; thence extending Easterly along the Southerly perimeter wall of the main building a distance of approximately 366.50 feet to a point on the Southeasterly corner of the main building; thence extending along the Southerly side of Part 3 of Unit III South 88 degrees 42 minutes 20 seconds East, 23.41 feet to a point; thence extending along the Westerly side of Davidson Road (50 feet wide) South 1 degree 24 minutes 40 seconds West, 215.45 feet to the point of BEGINNING.

SAID above described parcel of land. CONTAINING within said bounds, 1.20 acres more or less, including all restrictions and easements as shown on a plan entitled "ALTA/ACSM Survey Plan", dated 15 April, 2000, prepared by TEI Consulting Engineers, Inc., and also including certain rights to areas designated as "Service Drives" as shown on the plan entitled "Exhibit X Plats and Plans, Abington Towne Center Condominium".

PART 2 OF UNIT II - COMMENCING at a point on the Easterly side of Old York Road (a.k.a. S.R. 0611) (80 feet wide), said point being measured the following course and distance from a point of curvature on a radius round corner at the intersection of the Northerly side of London Road (60 feet wide) and the Easterly side of Old York Road (80 feet wide), on the arc of a circle curving to the right having a radius of 30 feet, the arc distance of 47.12 feet to a point of tangency on the Easterly side of the aforementioned Old York Road, thence extending along the Easterly side of Old York Road North 1 degree 24 minutes 40 seconds East, 377.06 feet to the point of BEGINNING thence extending from said point of beginning and still along the Easterly side of Old York Road North 1 degree 24 minutes 40 seconds East, 66.94 feet to a point; thence still along the same, on the arc of a circle curving to the right having a radius of 2824.93 feet the arc distance of 13.04 feet to a point; thence extending along the Southerly line of Part 2 of

Unit III South 88 degrees 36 minutes 33 seconds East, 260.34 feet to a point on the Westerly face of the main building; thence extending in a Southerly direction along the Easterly perimeter wall of the main building in a Southerly direction approximately 109.69 feet to a point on the Westerly face of the main building; thence extending the 5 following courses and distances along the Northerly line of Part 1 of Unit III: (1) North 88 degrees 50 minutes 27 seconds West, 9.20 feet to a point; thence (2) South 72 degrees 39 minutes 56 seconds West, 31.97 feet to a point; thence (3) North 88 degrees 39 minutes 50 seconds West, 165.67 feet to a point; thence (4) North 29 degrees 28 minutes 58 seconds West, 46.85 feet to a point; thence (5) North 87 degrees 51 minutes 3 seconds West, 30.94 feet to the point and place of BEGINNING.

SAID above described parcel of land. CONTAINING within said bounds, 0.67 acres more or less, including all restrictions and easements as shown on a plan entitled "ALTA/ACSM Survey Plan", dated 15 April, 2000, prepared by TEI Consulting Engineers, Inc., and also including certain rights to areas designated as "Service Drives" as shown on the plan entitled "Exhibit X Plats and Plans, Abington Towne Center Condominium".

PART 3 OF UNIT II - COMMENCING at a point on the Westerly side of Davidson Road (50 feet wide) at the Southerly portion of the intersection with Marian Road extended, thence extending in a Northerly direction along the Westerly side of Davidson Road along the arc of a circle to the left having a radius of 125.00 feet the arc distance of 39.12 feet to the point BEGINNING; thence extending along the Northerly line of Part 3 of Unit III North 88 degrees 42 minutes 20 seconds East, 87.91 feet to a point on the Easterly face of the main building; thence extending in a Northerly direction along the Easterly perimeter wall of the main building approximately 33.03 feet to a point on the Northeasterly corner of the main building; thence extending along the Southerly line of Part 2 of Unit III South 88 degrees 30 minutes 3 seconds East, 54.61 feet to a point; thence still along the same, North 61 degrees 39 minutes 16 seconds East, 23.05 feet to a point; thence extending along the Westerly side of Davidson Road (50 feet wide) South 28 degrees 20 minutes 44 seconds East, 19.41 feet to a point of curvature; thence extending along the Westerly side of Davidson Road (50 feet wide) along the arc of a circle to the right having a radius of 125.00 feet the arc distance of 25.78 feet to the point and place of BEGINNING.

SAID above described parcel of land. CONTAINING within said bounds, 0.06 acres more or less, including all restrictions and easements as shown on a plan entitled "ALTA/ACSM Survey Plan", dated 15 April, 2000, prepared by TEI Consulting Engineers, Inc., and also including certain rights to areas designated as "Service Drives" as shown on the plan entitled "Exhibit X Plats and Plans, Abington Towne Center Condominium".

BEING PARCEL NUMBERS: 30-00-49884-01-8 (Unit 1) and 30-00-49884-02-7 (Unit 2)



LIST OF SUBSIDIARIES OF  
ACADIA REALTY TRUST

239 Greenwich Associates Limited Partnership  
Acadia 239 Greenwich Avenue, LLC  
Acadia Altamonte Springs, LLC  
Acadia Amherst, LLC  
Acadia Bartow Avenue, LLC  
Acadia Brandywine Condominium, LLC  
Acadia Brandywine Holdings Special Member, LLC  
Acadia Brandywine Holdings, Inc.  
Acadia Brandywine Holdings, LLC  
Acadia Brandywine Subsidiary, Inc.  
Acadia Brandywine Subsidiary, LLC  
Acadia Brandywine Town Center Special Member, LLC  
Acadia Brandywine Town Center, Inc.  
Acadia Brandywine Town Center, LLC  
Acadia Crossroads, LLC  
Acadia D.R. Management, Inc.  
Acadia Granville, LLC  
Acadia Haygood, LLC  
Acadia Heathcote, LLC  
Acadia Hendon Hitchcock Plaza, LLC  
Acadia K-H, LLC  
Acadia Levitz, LLC  
Acadia Mad River Property LLC  
Acadia Market Square Special Member, LLC  
Acadia Market Square, Inc.  
Acadia Market Square, LLC  
Acadia Merrillville Realty, Inc.  
Acadia Merrillville Realty, L.P.  
Acadia Mervyn I, LLC  
Acadia Mervyn II, LLC  
Acadia Mervyn Investors I, LLC  
Acadia Mervyn Investors II, LLC  
Acadia Mervyn Promote Member I, LLC  
Acadia Mervyn Promote Member II, LLC  
Acadia New Loudon, LLC  
Acadia Pacesetter LLC  
Acadia Property Holdings, LLC  
Acadia Realty Acquisition I, LLC  
Acadia Realty Acquisition II, LLC  
Acadia Realty Limited Partnership  
Acadia Realty Management Services, Corp.  
Acadia Realty Trust  
Acadia Rockville, LLC  
Acadia Sheffield Crossing, LLC  
Acadia Sterling Heights, LLC  
Acadia Strategic Opportunity Fund II, LLC  
Acadia Strategic Opportunity Fund, LP  
Acadia Tarrytown, LLC  
Acadia Town Line, LLC  
Acadia-Noddle Tarrytown Development Co., LLC  
Acadia-P/A Canarsie, LLC  
Acadia-P/A Holding Company, LLC  
Acadia-P/A Sherman Avenue, LLC  
Acadia-PA East Fordham Acquisitions, LLC  
ACRS, Inc.  
AmCap Acadia 8th Addition, LLC  
AmCap Acadia 9th Addition, LLC  
AmCap Acadia Agent, LLC  
AmCap Acadia Atlanta LP  
AmCap Acadia Batesville, LLC  
AmCap Acadia Benton, LLC

AmCap Acadia Carthage LP  
AmCap Acadia Cary, LLC  
AmCap Acadia Cincinnati, LLC  
AmCap Acadia Conroe LP  
AmCap Acadia Great Bend, LLC  
AmCap Acadia Hanrahan, LLC  
AmCap Acadia Indianapolis, LLC  
AmCap Acadia Irving LP  
AmCap Acadia K-H Holding, LLC  
AmCap Acadia K-H, LLC  
AmCap Acadia Little Rock, LLC  
AmCap Acadia Longview, LLC  
AmCap Acadia Mustang, LLC  
AmCap Acadia Pratt, LLC  
AmCap Acadia Roanoke, LLC  
AmCap Acadia Roswell, LLC  
AmCap Acadia Ruidoso, LLC  
AmCap Acadia San Ramon, LLC  
AmCap Acadia Shreveport, LLC  
AmCap Acadia Springerville, LLC  
AmCap Acadia Tucson, LLC  
AmCap Acadia Tulsa, LLC  
Blackman Fifty L.P.  
Blackman Fifty Realty Corp.  
Crossroads II  
Crossroads II, LLC  
Crossroads Joint Venture  
Crossroads Joint Venture, LLC  
Heathcote Associates, L.P.  
Mark Plaza Fifty L.P.  
Mark Plaza Fifty Realty Corp.  
Mark Twelve Associates, L.P.  
New Castle Fifty Realty Corp.  
P/A-Acadia Pelham Manor, LLC  
Pacesetter/Ramapo Associates  
Port Bay Associates, LLC  
RD Abington Associates Limited Partnership  
RD Absecon Associates, L.P.  
RD Absecon, Inc.  
RD Bloomfield Associates Limited Partnership  
RD Branch Associates L.P.  
RD Columbia Associates, L.P.  
RD Elmwood Associates, L.P.  
RD Hobson Associates, L.P.  
RD Methuen Associates Limited Partnership  
RD Smithtown, LLC  
RD Village Associates Limited Partnership  
RD Whitegate Associates, L.P.  
RD Woonsocket Associates Limited Partnership

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-95966 and 333-87993) pertaining to the 1999 Share Incentive Plan of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 33-31630) of Acadia Realty Trust; in the Registration Statement (Form S-3 No. 333-104727) of Acadia Realty Trust; in the Registration Statement (Form S-8 No. 333-106758) pertaining to the 2003 Employee Share Incentive Plan of Acadia Realty Trust; and in the Registration Statement (Form S-3 No. 333-114785) of our reports dated March 10, 2005, with respect to the consolidated financial statements and schedule of Acadia Realty Trust, Acadia Realty Trust's management assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Acadia Realty Trust, included in this Annual Report on Form 10-K for the year ended December 31, 2004.

/s/ ERNST & YOUNG LLP

New York, New York  
March 10, 2005

CERTIFICATION

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this annual report on Form 10-K of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - (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 controls 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 controls over financial reporting.

/s/ Kenneth F. Bernstein

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Kenneth F. Bernstein  
President and Chief Executive Officer  
March 14, 2005

CERTIFICATION

I, Michael Nelsen, certify that:

1. I have reviewed this annual report on Form 10-K of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - (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 controls 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 controls over financial reporting.

/s/ Michael Nelsen

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Michael Nelsen  
Senior Vice President and Chief Financial Officer  
March 14, 2005

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Acadia Realty Trust (the "Company") on Form 10-K for the year ended December 31, 2004, 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. ss. 1350, as adopted pursuant to ss. 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

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Kenneth F. Bernstein  
President and Chief Executive Officer  
March 14, 2005

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Acadia Realty Trust (the "Company") on Form 10-K for the year ended December 31, 2004, 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. ss. 1350, as adopted pursuant to ss. 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

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Michael Nelsen  
Senior Vice President and Chief Financial Officer  
March 14, 2005