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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2005

OR

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

For the transition period from _____ to _____

Commission File Number 1-12002

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

MARYLAND	**23-2715194**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1311 MAMARONECK AVENUE, SUITE 260, WHITE PLAINS, NY	**10605**
(Address of principal executive offices)	**(Zip Code)**

(914) 288-8100
(Registrant's telephone number, including area code)

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

YES ☒ **NO** ☐

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

YES ☒ **NO** ☐

As of May 4, there were 31,394,210 common shares of beneficial interest, par value $.001 per share, outstanding.

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Part I. Financial Information

Item 1. Financial Statements

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

	March 31, 2005	December 31, 2004
	(unaudited>	
ASSETS		
Real estate:		
Land	$ 53,804	$ 53,804
Buildings and improvements	363,024	362,477
Construction in progress	7,202	5,896
	424,030	422,177
Less: accumulated depreciation	(110,709)	(107,352)
Net real estate	313,321	314,825
Cash and cash equivalents	6,193	13,499
Cash in escrow	3,683	4,467
Restricted cash	509	612
Investments in and advances to unconsolidated partnerships	28,625	27,439
Investment in management contracts, net of accumulated amortization of $749 and $578, respectively	4,367	3,422
Preferred equity investment	20,000	—
Rents receivable, net	12,055	10,891
Notes receivable	12,347	10,087
Prepaid expenses	2,882	3,029
Deferred charges, net	15,864	13,478
Other assets	9,217	3,898
	$ 429,063	$ 405,647
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	$ 173,000	$ 153,361
Accounts payable and accrued expenses	7,056	7,640
Dividends and distributions payable	5,642	5,597
Interest rate swap payable	475	2,136
Share of losses in excess of investment in unconsolidated partnerships	9,639	9,304
Other liabilities	3,417	3,134
Total liabilities	199,229	181,172
Minority interest in Operating Partnership	9,745	5,743
Minority interests in majority-owned partnerships	1,808	1,808
Total minority interests	11,553	7,551
Shareholders' equity:		
Common shares	31	31
Additional paid-in capital	222,030	222,715
Accumulated other comprehensive income	(1,138)	(3,180)
Deficit	(2,642)	(2,642)
Total shareholders' equity	218,281	216,924
	$ 429,063	$ 405,647

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(unaudited)

(in thousands, except per share amounts)

	Three months ended March 31,	
	2005	**2004**
Revenues		
Minimum rents	$ 12,943	$ 12,797
Percentage rents	184	217
Expense reimbursements	4,050	3,591
Other property income	328	123
Management fee income, net of submanagement fees of $303 and $261, respectively	1,978	545
Interest income	477	115
Other	—	156
Total revenues	19,960	17,544
Operating Expenses		
Property operating	3,918	3,761
Real estate taxes	2,414	2,248
General and administrative	3,078	2,489
Depreciation and amortization	4,024	3,735
Total operating expenses	13,434	12,233
Operating income	6,526	5,311
Equity in earnings of unconsolidated partnerships	497	544
Interest expense	(2,359)	(2,429)
Minority interest	(219)	(217)
Income from continuing operations	4,445	3,209
Discontinued Operations		
Operating loss from discontinued operations	—	(373)
Minority interest	—	14
Loss from discontinued operations	—	(359)
Net Income	$ 4,445	$ 2,850
Basic Earnings per Share		
Income from continuing operations	$ 0.14	$ 0.11
Income (loss) from discontinued operations	—	(0.01)
Basic earnings per share	$ 0.14	$ 0.10
Diluted Earnings per Share		
Income from continuing operations	$ 0.14	$ 0.11
Income (loss) from discontinued operations	—	(0.01)
Diluted earnings per share	$ 0.14	$ 0.10

See accompanying notes

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(in thousands)

	March 31, 2005	March 31, 2004
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,445	$ 2,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,024	3,856
Minority interests	219	203
Equity in earnings of unconsolidated partnerships	(497)	(544)
Amortization of derivative settlement included in interest expense	109	—
Provision for bad debts	139	206
Changes in assets and liabilities:		
Restricted cash	103	(193)
Funding of escrows, net	784	(63)
Rents receivable	(1,303)	(83)
Prepaid expenses	147	753
Other assets	(5,102)	(109)
Accounts payable and accrued expenses	(391)	778
Due to/from related parties	—	2
Other liabilities	282	(855)
Net cash provided by operating activities	2,959	6,801
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for real estate and improvements	(1,783)	(1,340)
Investment in and advances to unconsolidated partnerships	(802)	(3,740)
Distributions from unconsolidated partnerships	693	308
Payment of deferred leasing costs	(97)	(680)
Advances of notes receivable	(2,285)	(3,315)
Preferred equity investment	(20,000)	—
Net cash used in investing activities	(24,274)	(8,767)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(361)	(11,233)
Proceeds received on mortgage notes	20,000	9,000
Payment of deferred financing and other costs	—	(506)
Dividends paid	(5,442)	(4,401)
Distributions to minority interests in Operating Partnership	(68)	(182)
Distributions on preferred Operating Partnership Units	(88)	(36)
Distributions to minority interests in majority-owned partnerships	(56)	(39)
Common Shares issued under Employee Stock Purchase Plan	24	19
Settlement of options to purchase Common Shares	—	(66)
Exercise of options to purchase Common Shares	—	7,943
Net cash provided by financing activities	14,009	499
Decrease in cash and cash equivalents	(7,306)	(1,467)
Cash and cash equivalents, beginning of period	13,499	14,159
Cash and cash equivalents, end of period	$ 6,193	$ 12,692
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of amounts capitalized of $96 and $93, respectively	$ 2,070	$ 2,792
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of management contract rights through issuance of Common and Preferred Operating Partnership Units, respectively	$ 4,000	$ 4,000

ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005
(in thousands, except per share amounts)

1. THE COMPANY

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

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership" or "OP") and its majority-owned partnerships. As of March 31, 2005, the Company controlled 98% of the Operating Partnership as the sole general partner.

The Company operates 70 properties, which it owns or has an ownership interest in, consisting of 68 neighborhood and community shopping centers and two multi-family properties, principally located in the Northeast, Mid-Atlantic and Midwest regions of the United States.

2. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of the Company and its majority-owned subsidiaries, including the Operating Partnership, and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Non-controlling investments in partnerships are accounted for under the equity method of accounting as the Company exercises significant influence. The information furnished in the accompanying consolidated financial statements reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the aforementioned consolidated financial statements for the interim periods.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2005. For further information refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

3. PREFERRED EQUITY INVESTMENT

In March of 2005, the Company invested $20,000 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 Realty L.P. ("Klaff") is a managing member of Levitz SL. The Preferred Equity receives a return of 10%, plus a minimum return of capital of $2,000 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 (Note 11).

4. EARNINGS PER COMMON SHARE

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

	Three months ended March 31,	
	2005	2004
Numerator:		
Income from continuing operations – basic and diluted	$ 4,445	$ 3,209
Denominator:		
Weighted average shares – basic earnings per share	31,867	27,890
Effect of dilutive securities:		
Employee stock options	273	671
Denominator for diluted earnings per share	32,140	28,561
Basic earnings per share from continuing operations	$ 0.14	$ 0.11
Diluted earnings per share from continuing operations	$ 0.14	$ 0.11

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

4. EARNINGS PER COMMON SHARE (continued)

The effect of the conversion of common units in the Operating Partnership ("Common OP Units") is not reflected in the above table as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share. The effect of the conversion of Series A and B Preferred OP Units ("Preferred OP Units") which would result in 522,679 and 429,075 additional Common Shares for the three months ended march 31, 2005 and 2004, respectively, is not reflected in the above table as such conversion would be anti-dilutive.

5. STOCK-BASED COMPENSATION

The Company has 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 granted after December 31, 2001 have been expensed over the vesting period based on the fair value at the date the stock-based compensation was granted.

On January 3, 2005 (the "Grant Date"), the Company issued 50,342 options (net of subsequent forfeitures) to officers and employees. The options, which have an exercise price of $16.35, are for ten-year terms and vest one third as of the Grant Date and one third on each of the next two anniversaries thereof. The Company has determined a value of $2.57 per option using the binomial method for valuing such options. In prior periods, the Company utilized the Black-Scholes method for valuing options granted and believes that the binomial method more accuartly reflects the value of the options. This change had no material effect on the value of the unvested options or the Company's consolidated fiancial statements. Accordingly, compensation expense of $54 has been recognized in the accompanying consolidated financial statements related to these options for the three months ended March 31, 2005.

On the Grant Date, the Company also issued a total of 109,826 restricted Common Shares ("Restricted Shares") to executive officers ("Officers") and 23,872 Restricted shares (net of subsequent forfeitures) to certain employees ("Employees") of the Company. In general, the Restricted Shares carry all the rights of Common Shares including voting and dividend rights, but may not be transferred, assigned or pledged until the Recipients have a vested non-forfeitable right to such shares. Vesting with respect to the Restricted Shares issued to Officers, which is subject to the Recipients' continued employment with the Company through the applicable vesting dates, is ratably over four years commencing on the first anniversary of the Grant Date and each of the next three anniversaries thereafter. In addition, vesting on 50% of these Restricted Shares is also subject to certain total shareholder returns on the Company's Common Shares. Vesting with respect to the Restricted Shares issued to Employees, which is subject to the Recipients' continued employment with the Company through the applicable vesting dates, is ratably over five years commencing on the Grant Date and each of the next four anniversaries thereafter. In addition, vesting on 25% of these Restricted Shares is also subject to certain total shareholder returns on the Company's Common Shares.

The total value of the above restricted share awards on the date of grant was $2,179 which will be recognized in compensation expense over the vesting period. Compensation expense of $213 has been recognized in the accompanying consolidated financial statements related to these Restricted Shares for the three months ended March 31, 2005.

6. COMPREHENSIVE INCOME

The following table sets forth comprehensive income for the three months ended March 31, 2005 and 2004:

	Three months ended March 31,	
	2005	**2004**
Net income	$ 4,445	$ 3,209
Other comprehensive income (loss) (1)	2,042	(1,551)
Comprehensive income	$ 6,487	$ 1,658

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 three months ended March 31, 2005:

Balance at December 31, 2004	$ (3,180)
Unrealized gain on valuation of swap agreements	2,042
Balance at March 31, 2005	$ (1,138)

As of March 31, 2005 the balance in accumulated other comprehensive loss was comprised of net unrealized losses on the valuation of swap agreements.

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

7. SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

The following table summarizes the change in the shareholders' equity and minority interests since December 31, 2004:

	Shareholders' Equity	Minority Interest in Operating Partnership (1)	Minority Interest in majority-owned Partnerships
Balance at December 31, 2004	$ 216,924	$ 5,743	$ 1,808
Issuance of Common OP Units	—	4,000	—
Dividends and distributions declared of $0.1725 per Common Share and Common OP Unit	(5,465)	(89)	—
Net income for the period January 1 through March 31, 2005	4,445	75	56
Distributions paid	—	—	(56)
Other comprehensive income – Unrealized gain on valuation of swap agreements	1,933	16	—
Other comprehensive income – Amortization of swap value	109	—	—
Employee stock-based compensation	335	—	—
Balance at March 31, 2005	$ 218,281	$ 9,745	$ 1,808

Notes:
(1) Net income attributable to minority interest in the Operating Partnership and distributions do not include a distribution on Series A and Series B Preferred OP Units totaling $88.

Minority interest in the Operating Partnership represents (i) the limited partners' interest of 642,255 and 392,255 Common OP Units at March 31, 2005 and December 31, 2004, respectively, (ii) 1,580 Series A Preferred OP Units at March 31, 2005 and December 31, 2004, respectively, with a nominal value of $1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) $22.50 per unit (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit, and (iii) 4,000 Series B Preferred OP Units at March 31, 2005 and December 31, 2004 with a nominal value of $1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) $13.00 (5.2% annually) per unit or (b) the quarterly distribution attributable to a Series B Preferred OP Unit if such unit were converted into a Common OP Unit. Minority interests in majority-owned partnerships represent third-party interests in four partnerships in which the Company has a majority ownership position.

In February 2005, the Company issued $4,000 (250,000 Restricted Common OP Units valued at $16.00 each) of Restricted Common OP Units to Klaff in consideration for the 25% balance of certain management contract rights as well as the rights to 25% of certain potential future revenue streams (Note 11). This follows the acquisition of 75% of the management contract rights and 75% of certain potential future revenue streams from Klaff in January 2004. The Restricted Common OP Units are convertible into the Company's Common Shares on a one-for-one basis after a five-year lock-up period. $1,116 of the purchase price was allocated to investment in management contracts in the consolidated balance sheet and is being amortized over the estimated remaining life of the contracts. The remainder ot the purchase price has been allocated to deferred charges in the consolidated balance sheet and will be allocated to future revenue streams as identified.

8. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED PARTNERSHIPS

Crossroads

The Company owns a 49% interest in the Crossroads Joint Venture and Crossroads II Joint Venture (collectively "Crossroads"), which collectively own a 311,000 square foot shopping center in White Plains, New York. The Company accounts for 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:

	March 31, 2005	December 31 , 2004
Balance Sheets		
Assets:		
Rental property, net	$ 6,823	$ 6,939
Other assets	6,117	6,129
Total assets	$ 12,940	$ 13,068
Liabilities and partners' deficit		
Mortgage note payable	$ 64,000	$ 64,000
Other liabilities	2,772	2,481
Partners' deficit	(53,832)	(53,413)
Total liabilities and partners' deficit	$ 12,940	$ 13,068
Company's investment in Crossroads	$ (9,639)	$ (9,304)

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

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

8. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED PARTNERSHIPS (continued)

	Three months ended March 31,	
	2005	2004
Statements of Income		
Total revenue	$ 2,182	$ 2,025
Operating and other expenses	610	607
Interest expense	1,040	674
Depreciation and amortization	151	149
Net income	$ 381	$ 595
Company's share of net income	$ 275	$ 316
Amortization of excess investment (see below)	98	98
Income from Crossroads	$ 177	$ 218

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 Company is the general partner with a 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 of Fund I, which is comprised of representatives from each of the four institutional investors.

As of March 31, 2005, Fund I owns or has an ownership interest in ten shopping centers and twenty-five anchor-only supermarket leases comprising 2.7 million square feet.

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 follows:

	March 31, 2005	December 31, 2004
Balance Sheets		
Assets:		
Rental property, net	$ 186,524	$ 187,046
Other assets	14,604	13,077
Total assets	$ 201,128	$ 200,123
Liabilities and partners' equity		
Mortgage notes payable	$ 114,955	$ 120,188
Other liabilities	29,129	24,060
Partners' equity	57,044	55,875
Total liabilities and partners' equity	$ 201,128	$ 200,123
Company's investment in Fund I	$ 12,335	$ 12,115

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

8. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED PARTNERSHIPS (continued)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Statements of Income		
Total revenue	$ 6,988	$ 6,596
Operating and other expenses	1,406	1,319
Management and other fees	541	516
Interest expense	1,615	1,606
Depreciation and amortization	2,244	2,127
Equity in earnings of unconsolidated partnerships	(84)	—
Minority interest	67	42
Net income	$ 1,199	$ 986
Company's share of net income (1)	$ 402	$ 326

Notes:
(1) The Company's pro-rata share of net income is before Management and other fees as these amounts are paid to the Company.

Acadia Strategic Opportunity Fund II, LP ("Fund II")

In June of 2004, the Company formed a joint venture ("Fund II"), with the investors from Fund I as well as two additional 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 they relate 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.

On April 6, 2005, in conjunction with P/A, Fund II purchased a 140,000 square foot building located in the Washington Heights section of Manhattan, NY. The building was acquired for a purchase price of $25,000. Fund II plans to redevelop the site to include retail, commercial and residential components totaling over 300,000 square feet.

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

	March 31, 2005	December 31, 2004
Balance Sheets		
Assets:		
Rental property, net	$ 29,903	$ 29,058
Other assets	5,168	4,879
Total assets	$ 35,071	$ 33,937
Liabilities and partners' equity		
Mortgage notes payable	$ 18,000	$ 18,000
Other liabilities	2,211	910
Partners' equity	14,860	15,027
Total liabilities and partners' equity	$ 35,071	$ 33,937
Company's investment in Fund II	$ 2,677	$ 2,760

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

8. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED PARTNERSHIPS (continued)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Statements of Operations		
Total revenue	$ 916	$ —
Operating and other expenses	895	—
Management and other fees	938	—
Interest expense	188	—
Depreciation and amortization	350	—
Minority interest	(49)	—
Net loss	$ (1,406)	$ —
Company's share of net loss (1)	$ (94)	$ —

Notes:
(1) The Company's pro-rata share of net income is before Management and other fees as these amounts are paid to the Company.

Retailer Controlled Property Venture

On January 27, 2004, the Company entered into the Retailer Controlled Property Venture ("RCP Venture") with Klaff Realty, L.P. ("Klaff") and Klaff's long-time capital partner Lubert-Adler Management, Inc. for the purpose of making investments in surplus or underutilized properties owned by retailers. On September 2, 2004, affiliates of Fund I and Fund II, through separately organized, newly formed limited liability companies on a non-recourse basis, invested in the acquisition of Mervyn's through the RCP Venture, which, as part of an investment consortium of Sun Capital and Cerebus, acquired Mervyn's from Target Corporation. The total acquisition price was $1.175 billion, with such affiliates' combined $23,520 share of the investment divided equally between them. The Company's share of the investment totaled $4,965.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of March 31, 2005. The notional value does not represent exposure to credit, interest rate or market risks.

Hedge Type	Notional Value	Interest Rate	Forward Start Date	Interest Maturity	Fair Value
LIBOR Swap	$ 11,859	4.11%	n/a	1/1/07	$ (24)
LIBOR Swap	20,000	4.53%	n/a	10/1/06	(184)
LIBOR Swap	8.833	4.47%	n/a	6/1/07	(71)
LIBOR Swap	15,330	4.32%	n/a	1/1/07	(86)
					(365)
LIBOR Swap (1)	11,410	4.90%	10/2/06	10/1/11	(34)
LIBOR Swap (1)	8,434	5.14%	6/1/07	3/1/12	(76)
Interest rate swap payable					$ (475)
LIBOR Swap	$ 37,667	4.35%	4/1/05	1/1/11	$ 286
LIBOR Swap (1)	4,640	4.71%	10/2/06	1/1/10	2
Interest rate swap receivable(2)					$ 288

Notes:
(1) Forward starting swap agreements.
(2) Included in other assets in the consolidated balance sheet as of March 31, 2005

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

10. MORTGAGE LOANS

On February 25, 2005, the Company drew down $20,000 under an existing revolving facility, which bears interest at LIBOR plus 150 basis points. The proceeds from this drawdown were utilized for the Preferred Equity investment (Note 3).

11. RELATED PARTY TRANSACTIONS

In February 2005, the Company issued $4,000 of Restricted Common OP Units to Klaff for the balance of certain management contract rights as well as the rights to certain potential future revenue streams (Note 7).

In March 2005, the Company completed a $20,000 Preferred Equity Investment with Levitz SL, of which Klaff, a common and preferred OP unit holder, is the managing member (Note 3).

The Company also earns certain management and service fees in connection with its investment in Fund I and Fund II (Note 8). Such fees earned by the Company aggregated $1,403 for the three months ended March 31, 2005 and $401 for the three months ended March 31, 2004.

The Company also earns fees in connection with its rights to provide asset management, leasing, disposition, development and construction services for an existing portfolio of retail properties and/or leasehold interests in which Klaff has an interest. Net fees earned by the Company in connection with this portfolio were $575 and $32 for the three months ended March 31, 2005 and 2004, respectively. These amounts are net of the payment of submanagement fees to Klaff of $303 and $261 for the quarters ended March 31, 2005 and 2004, respectively.

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 $71 for the three months ended March 31, 2004. In addition, the Company also earned leasing commission of $60 related to this property for the three months ended March 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.

12. DIVIDENDS AND DISTRIBUTIONS PAYABLE

On February 4, 2005, the Board of Trustees of the Company approved and declared a cash quarterly dividend for the quarter ended March 31, 2005 of $0.1725 per Common Share and Common OP Unit. The dividend was paid on April 15, 2005 to shareholders of record as of March 31, 2005. Preferred Series A and B OP Unit holders also received this quarterly distribution based on the number of Common OP Units they would receive in a hypothetical conversion of their Preferred OP Units.

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

13. SEGMENT REPORTING

The Company has two reportable segments: retail properties and multi-family properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in the Company's Annual Report on Form 10-K. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. The reportable segments are managed separately due to the differing nature of the leases and property operations associated with the retail versus residential tenants. The following tables set forth certain segment information for the Company for continuing operations as of and for the three months ended March 31, 2005 and 2004 (does not include unconsolidated partnerships):

	Three months ended March 31, 2005			
	Retail Properties	Multi-Family Properties	All Other	Total
Revenues	$ 15,046	$ 1,876	$ 3,038	$ 19,960
Property operating expenses and real estate taxes	5,357	975	—	6,332
Net property income before depreciation, amortization and certain nonrecurring items	$ 9,689	$ 901	$ 3,038	$ 13,628
Depreciation and amortization	$ 3,559	$ 360	$ 105	$ 4,024
Interest expense	$ 2,057	$ 302	$ —	$ 2,359
Real estate at cost	$ 383,283	$ 40,836	$ —	$ 424,119
Total assets	$ 336,699	$ 36,308	$ 46,417	$ 419,424
Gross leasable area (multi-family – 1,474 units)	4,848	1,207	—	6,055
Expenditures for real estate and improvements	$ 1,651	$ 221	$ —	$ 1,872

Revenues	
Total revenues for reportable segments	$ 20,750
Elimination of intersegment management fee income	(363)
Elimination of intersegment asset management fee income	(262)
Elimination of intersegment service fees and interest income	(165)
Total consolidated revenues	$ 19,960
Property operating expenses and real estate taxes	
Total property operating expenses and real estate taxes for reportable segments	$ 6,651
Elimination of intersegment management fee expenses	(319)
Total consolidated expenses	$ 6,332
Reconciliation to net income	
Net property income before depreciation and amortization	$ 13,628
Depreciation and amortization	(4,024)
General and administrative	(3,078)
Equity in earnings of unconsolidated partnerships	497
Interest expense	(2,359)
Minority interest	(219)
Net income	$ 4,445

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

13. SEGMENT REPORTING (continued)

	Three months ended March 31, 2004			
	Retail Properties	Multi-Family Properties	All Other	Total
Revenues	$ 14,803	$ 1,925	$ 816	$ 17,544
Property operating expenses and real estate taxes	5,064	945	—	6,009
Net property income before depreciation, amortization and certain nonrecurring items	$ 9,739	$ 980	$ 816	$ 11,535
Depreciation and amortization	$ 3,307	$ 350	$ 78	$ 3,735
Interest expense	$ 2,053	$ 376	$ —	$ 2,429
Real estate at cost	$ 375,580	$ 39,911	$ —	$ 415,491
Total assets	$ 334,547	$ 37,101	$ 18,267	$ 389,915
Gross leasable area (multi-family – 1,474 units)	4,849	1,207	—	6,056
Expenditures for real estate and improvements	$ 1,203	$ 137	$ —	$ 1,340
Revenues				
Total revenues for reportable segments	$ 17,912			
Elimination of intersegment management fee income	(293)			
Elimination of intersegment asset management fee income	(75)			
Total consolidated revenues	$ 17,544			
Property operating expenses and real estate taxes				
Total property operating expenses and real estate taxes for reportable segments	$ 6,262			
Elimination of intersegment management fee expense	(253)			
Total consolidated expenses	$ 6,009			
Reconciliation to net income				
Net property income before depreciation and amortization	$ 11,535			
Depreciation and amortization	(3,735)			
General and administrative	(2,489)			
Equity in earnings of unconsolidated partnerships	544			
Interest expense	(2,429)			
Loss from discontinued operations	(359)			
Minority interest	(217)			
Net income	$ 2,850			

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

14. DISCONTINUED OPERATIONS

The results of operations of sold property is reported separately as discontinued operations for the three months ended March 31, 2004. The revenues and expenses of the property classified as discontinued operations for the three months ended March 31, 2004 were $394 and $767, respectively, resulting in an operating loss from discontinued operations of $373 for the period.

15. CONTINGENCIES

During the three months ended March 31, 2005, the Company reduced a previously recorded reserve by $480 related to the settlement of its insurance claim in connection with the flood damage incurred at Mark Plaza located in Wilkes-Barre, PA. The Company had previously provided a reserve of $730 as of December 31, 2004 related to the flood damage.

16. SUBSEQUENT EVENTS

During April 2005, the Company drew down $7,400 under an existing revolving facility, which bears interest at LIBOR plus 150 basis points.

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

The following discussion is based on the consolidated financial statements of the Company as of March 31, 2005 and 2004 and for the three months then ended. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results performance or achievements expressed or implied by such forward-looking statements. Such factors are set forth in our Form 10-K for the year ended December 31, 2004 and include, among others, the following: general economic and business conditions, which will, among other things, affect demand for rental space, the availability and creditworthiness of prospective tenants, lease rents and the availability of financing; adverse changes in our real estate markets, including, among other things, competition with other companies; risks of real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

OVERVIEW

We operate 70 properties, which we own or have an ownership interest in, consisting of 68 neighborhood and community shopping centers and two multi-family properties, principally located in the Northeast, Mid-Atlantic and Midwest regions of the United States. We receive income primarily from the rental revenue from our properties, including expense recoveries from tenants, offset by operating and overhead expenses. We focus on three primary areas in executing our business plan as follows:

— We focus on maximizing the return on our existing portfolio through leasing and property redevelopment activities. Our redevelopment program is a significant and ongoing component of managing our existing portfolio and it focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

— We pursue above-average returns through a disciplined and opportunistic acquisition program. The primary conduits for our current acquisition program are through our existing acquisition joint venture Fund II, as well as the Retailer Controlled Property Venture ("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.

— We focus on maintaining a strong balance sheet, which provides us with the financial flexibility to fund both property redevelopment and acquisition opportunities.

CRITICAL ACCOUNTING POLICIES

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

Valuation of Property Held for Use and Sale

On a quarterly basis, we review both properties held for use and for sale for indicators of impairment. We record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where we do not expect to recover our carrying costs on properties held for use, we reduce our carrying cost to fair value, and for properties held for sale, we reduce our carrying value to the fair value less costs to sell. Management does not believe that the value of any properties in our portfolio was impaired as of March 31, 2005.

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Bad Debts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of March 31, 2005, we have recorded an allowance for doubtful accounts of $3.0 million. If the financial condition of our tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2005 ("2005") to the three months ended March 31, 2004 ("2004")

			Change	
	2005	2004	$	%
Revenues:				
Minimum rents	$ 12.9	$ 12.8	$ 0.1	1%
Percentage rents	0.2	0.2	—	—
Expense reimbursements	4.1	3.6	0.5	14%
Other property income	0.3	0.1	0.2	200%
Management fee income	2.0	0.5	1.5	300%
Interest income	0.5	0.1	0.4	400%
Other	—	0.2	(0.2)	(100)%
Total revenues	$ 20.0	$ 17.5	$ 2.5	14%

The increase in minimum rents was attributable to additional rents from re-tenanting activities as well as increased occupancy across the portfolio.

Common area maintenance ("CAM") expense reimbursement increased $0.3 million as a result of increased tenant reimbursements of higher snow removal costs in 2005. Real estate tax reimbursements increased $0.2 million, primarily as a result of general increases in real estate taxes as well as re-tenanting activities throughout the portfolio.

Management fee income increased as a result of asset management fees from Fund II, which was formed in June 2004, and an increase in management fees related to the acquisition of certain management contract rights in January 2004 and February 2005.

The increase in interest income was a combination of additional interest income on the Company's advances and notes receivable originated in 2004 and additional interest income earned following the Company's preferred equity investment in Levitz in 2005.

			Change	
	2005	2004	$	%
Operating Expenses:				
Property operating	$ 3.9	$ 3.8	$ 0.1	3%
Real estate taxes	2.4	2.2	0.2	9%
General and administrative	3.1	2.5	0.6	24%
Depreciation and amortization	4.0	3.7	0.3	8%
Total operating expenses	$ 13.4	$ 12.2	1.2	10%

The increase in property operating expenses was primarily a result of higher snow removal costs during 2005 offset by a recovery of approximately $0.5 million related to the settlement of the Company's insurance claim in connection with the flood damage incurred at the Mark Plaza.

The increase in real estate taxes was due to general increases in real estate taxes experienced across the portfolio.

The increase in general and administrative expense was attributable to increased compensation expense following additional staffing requirements and additional professional fees related to Sarbanes-Oxley compliance.

Depreciation expense increased $0.2 million in 2005. This was principally a result of increased depreciation expense related to capitalized tenant installation costs in 2004 and 2005. Amortization expense increased $0.1 which was the result of additional amortization of our investment in management contracts for the full quarter of 2005.

			Change	
	2005	2004	$	%
Other:				
Equity in earnings of unconsolidated partnerships	$ 0.5	$ 0.5	$ —	—
Interest expense	(2.4)	(2.4)	—	—
Minority interest	(0.2)	(0.2)	—	—

Interest expense remained unchanged at $2.4 million from 2004 to 2005. Interest expense increased $0.1 million as a result of a higher average interest rate on the portfolio mortgage debt in 2005 offset by a $0.1 million decrease resulting from lower average outstanding borrowings in 2005.

Funds from Operations

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

Consistent with the NAREIT definition, we define FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The reconciliation of net income to FFO for the three months ended March 31, 2005 and 2004 is as follows (amounts in thousands):

	Three months ended March 31,	
	2005	2004
Net income	$ 4,445	$ 2,850
Depreciation of real estate and amortization of leasing costs:		
Wholly-owned and consolidated partnerships	3,620	3,517
Unconsolidated partnerships	633	552
Income attributable to Minority interest in Operating Partnership (1)	75	115
Funds from operations	$ 8,773	$ 7,034
Cash flows provided by (used in):		
Operating activities	$ 2,959	$ 6,801
Investing activities	$ (24,274)	$ (8,767)
Financing activities	$ 14,009	$ 499

Notes:

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

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LIQUIDITY AND CAPITAL RESOURCES

USES OF LIQUIDITY

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

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. During February of 2005, our Board of Trustees approved and declared a quarterly cash dividend of $0.1725 per Common Share and Common OP Unit for the first quarter of 2005 which was paid April 15, 2005. Preferred Series A and B OP Unit holders also received this quarterly distribution based on the number of Common OP Units they would receive in a hypothetical conversion of their Preferred OP Units.

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

In September of 2001, we committed $20.0 million to a newly formed joint venture formed with four of our 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. As of March 31, 2005, we have contributed $15.5 million to Fund I.

We are the manager and general partner of Fund I with a 22% interest. In addition to a pro-rata return on our invested equity, we are entitled to a profit participation based upon certain investment return thresholds. Cash flow is to be distributed pro-rata to the partners (including us) 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 us) and 20% to us. We also earn 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.

As of March 31, 2005, Fund I has purchased a total of 35 properties totaling 2.7 million square feet. The following table summarizes Fund I's acquisitions through this date:

Shopping Center	Notes	Location	Year acquired	GLA	Purchase price	Estimated future redevelopment costs
					(millions)	
New York Region						
New York						
Tarrytown Shopping Center	1	Westchester	2004	35,877	$ 5.3	$1
Mid-Atlantic Region						
Delaware						
Brandywine Town Center	2	Wilmington	2003	629,345	86.3	—
Market Square Shopping Center	2	Wilmington	2003	102,762	—	—
South Carolina						
Hitchcock Plaza	3	Aiken	2004	234,338	5.5	$6 to $7
Pine Log Plaza	4	Aiken	2004	35,064	1.5	—
Virginia						
Haygood Shopping Center	5	Virginia Beach	2004	158,229	5.4	$5 to $6
Midwest Region						
Ohio						
Amherst Marketplace	6	Cleveland	2002	79,937	26.7	—
Granville Centre	6	Columbus	2002	131,543	—	—
Sheffield Crossing	6	Cleveland	2002	112,534	—	—
Michigan						
Sterling Heights Shopping Center	7	Detroit	2004	154,597	3.3	$2 to $3
Various Regions						
Kroger/Safeway Portfolio	8	Various	2003	1,018,100	48.9	—
Total				2,692,326	$ 182.9	$14 to $17

Notes:

1) Fund I and an unaffiliated partner, each with a 50% interest, acquired this center. Related to this acquisition, we loaned $2.0 million to Fund I which bears interest at the prime rate and matures May 2005.
2) This represents the combined purchase price for Brandywine Towne Center and Market Square Shopping Center. Fund I assumed $38.1 million of fixed rate debt on the two properties as well as obtained a new $30.0 million fixed-rate loan in conjunction with the acquisition. Brandywine Town Center is a two phase open-air value retail center. The first phase is approximately 450,000 square feet and 100% occupied. The second phase ("Phase II") consists of approximately 410,000 square feet of existing space, of which approximately 180,000 square feet is occupied. The balance of Phase II is currently not occupied. 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. 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.
3) Fund I provided 90% of the equity capital and Hendon Properties ("Hendon"), an unaffiliated partner, provided the remaining 10% of the equity capital used to acquire the former loan on this property. Subsequent to the acquisition of the loan, Fund I and Hendon obtained fee title to this property. Hendon is entitled to receive profit participation in excess of its proportionate equity interest. The Company loaned $3.2 million to the property owning entity in connection with the purchase of the loan. The Company's note matures March 9, 2006, and bears interest at 7% for the first year and 6% for the second year.
4) This property, which is situated adjacent to the Hitchcock Plaza, was also purchased in conjunction with Hendon. 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.
5) Fund I acquired a 50% interest in the Haygood Shopping Center for $2.2 million cash and the assumption of $3.2 million in variable-rate mortgage debt.
6) This represents the combined purchase price for Amherst Marketplace, Granville Centre and Sheffield Crossing. Fund I paid $14.1 million in cash and assumed $12.6 million of fixed-rate debt on two of the properties at a blended rate of 8.1%.
7) Fund I acquired a 50% interest in the Sterling Heights Shopping Center for $1.0 million cash and the assumption of $2.3 million in variable-rate mortgage debt.
8) Fund I and AmCap Incorporated ("AmCap"), an unaffiliated partner, acquired this portfolio for $14.4 million in cash and the assumption of an aggregate of $34.5 million of existing fixed-rate mortgage debt at a blended rate of 6.57%. 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).

Acadia Strategic Opportunity Fund II, LLC

On June 15, 2004, we closed our second acquisition fund, Acadia Strategic Opportunity Fund II, LLC ("Fund II"), which includes all of the investors from Fund I as well as two additional 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. We are 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. As of March 31, 2005, we have contributed $5.8 million to Fund II.
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

During 2004, Fund II, together with an unaffiliated partner, P/A Associates, LLC ("P/A"), formed Acadia-P/A Holding Company, LLC ("Acadia-P/A") for the purpose of acquiring, constructing, developing, owning, operating, leasing and managing certain retail real estate properties in the New York City metropolitan area. P/A has agreed to invest 10% of required capital up to a maximum of $2.0 million and Fund II, the managing member, has agreed to invest the balance to acquire assets in which Acadia P/A agrees to invest.

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

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2005 New York Urban/Infill Redevelopment Investments

4650 Broadway - On April 6, 2005, Acadia-P/A acquired 4650 Broadway located in the Washington Heights/Inwood section of Manhattan. The property, a 140,000 square foot building, which is currently occupied by the City of New York and a commercial parking garage, was acquired for a purchase price of $25 million. We plan to redevelop the site to include retail, commercial and residential components totaling over 300,000 square feet. The retail and commercial (including office, 'Community Use' and parking) portion comprise approximately 50% of the project and the residential component comprises the other 50%. Redevelopment of the project is anticipated to commence in the next 12 to 24 months with completion expected 18 months thereafter. Expected costs to complete the retail and commercial component of the project are estimated at $40 million before any potential sale of the residential air rights. In lieu of directly developing the mid-rise residential portion of the project, the rights to this component may be sold while retaining ownership of the other portions of the project.

On February 25, 2005, Acadia-P/A acquired land adjacent to the 400 East Fordham Road property for $867,000 (See "2004 New York Urban/Infill Redevelopment Acquisitions – 400 East Fordham Road" below).

2004 New York Urban/Infill Redevelopment Investments

400 East Fordham Road - Acadia-P/A acquired this property located in the Bronx, NY for $30.2 million. Sears is the major tenant of the property, retailing on four levels. Currently, there are also medical office tenants on the top two floors above Sears. 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. 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, is estimated to be between $65 and $70 million, depending on the ultimate scope of the project.

Pelham Manor - Acadia-P/A entered into a 95-year ground lease to redevelop this 16-acre site located in Westchester County, New York. The redevelopment contemplates the demolition of the existing industrial and warehouse buildings, and replacing them with a multi-anchor community retail center. We anticipate 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")

During 2004, we 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. We and our 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). We also anticipate earning market-rate fees for property management, leasing and construction services on behalf of the RCP Venture.

In September 2004, we made our first RCP Venture investment with our 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 $23.5 million on a non-recourse basis which was divided equally between them, of which $4.9 million was our share of the equity investment. Mervyn's is a 257-store discount retailer with a very strong West Coast concentration.

Other Investments

In March of 2005, we 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.

In January 2004, we acquired 75% of 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") as well the rights to 75% of certain future revenue streams. The acquisition includes 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 million of Series B Preferred OP Units to Klaff in consideration of this acquisition.

Effective February 15, 2005, we acquired the balance of Klaff's rights to provide the above services and certain potential future revenue streams. The consideration for this acquisition was $4 million in the form of 250,000 restricted Common OP Units, valued at $16 per unit, which are convertible into our Common Shares on a one-for-one basis after a five year lock-up period. As part of this transaction we also assumed all operational and redevelopment responsibility for the Klaff Properties a year earlier than was contemplated in the January 2004 transaction.

Share Repurchase

The repurchase of our Common Shares has historically been an additional use of liquidity. We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to $20.0 million of our outstanding Common Shares. Through May 4, 2005, we had repurchased 2.1 million Common Shares at a total cost of $11.7 million of which 1.5 million of these Common Shares have been subsequently reissued. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. There were no Common Shares repurchased by us during the quarter ended March 31, 2005.

SOURCES OF LIQUIDITY

We intend on using Fund II as the primary vehicles for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Sources of capital for funding our joint venture commitments, other property acquisitions, redevelopment, expansion and re-tenanting, as well as future repurchases of Common Shares are expected to be obtained primarily from issuance of public equity or debt instruments, cash on hand, additional debt financings and future sales of existing properties. As of March 31, 2005, we had a total of approximately $13.4 million of additional capacity with three lines of credit, cash and cash equivalents on hand of $6.0 million, and 15 properties that are unencumbered and available as potential collateral for future borrowings. We anticipate that cash flow from operating activities will continue to provide adequate capital for all of our debt service payments, recurring capital expenditures and REIT distribution requirements.

Financing and Debt

At March 31, 2005, mortgage notes payable aggregated $173.0 million and were collateralized by 16 properties and related tenant leases. Interest rates on our outstanding mortgage indebtedness ranged from 4.1% to 7.6% with maturities that ranged from July 2007 to September 2014. Taking into consideration $93.7 million of notional principal under variable to fixed-rate swap agreements currently in effect, $153.8 million of the portfolio, or 89%, was fixed at a 6.0% weighted average interest rate and $19.2 million, or 11% was floating at a 4.2% weighted average interest rate. There is no debt maturing in 2005 and 2006. In 2007, $32.5 million is scheduled to mature at a weighted average interest rate of 5.1%. As we do not anticipate having sufficient cash on hand to repay such indebtedness, we will need to refinance this indebtedness or select other alternatives based on market conditions at that time.

In February 2005, we drew down $20.0 million from an existing revolving facility. The proceeds from this drawdown were utilized to fund our Preferred Equity investment as previously described.

During April 2005, we drew down $7.4 million under an existing revolving facility, which bears interest at LIBOR plus 150 basis points.

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The following table summarizes the Company's mortgage indebtedness as of March 31, 2005 and December 31, 2004:

	March 31, 2005	December 31, 2004	Interest Rate at March 31, 2005	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable – variable-rate						
Washington Mutual Bank, FA	$ 20,000	$ —	4.25% (LIBOR + 1.50%)	11/22/07	(1)	(12)
Fleet National Bank	—	—	(LIBOR + 1.50%)	03/01/08	(2)	(13)
Fleet National Bank	8,442	8,473	4.09% (LIBOR + 1.40%)	12/01/08	(3)	(11)
Washington Mutual Bank, FA	29,707	29,900	4.25% (LIBOR + 1.50%)	04/01/11	(4)	(11)
Fleet National Bank	44,485	44,485	4.09% (LIBOR + 1.40%)	06/29/12	(5)	(14)
Fleet National Bank	10,213	10,252	4.09% (LIBOR + 1.40%)	06/29/12	(6)	(11)
Interest rate swaps	(93,689)	(86,156)				
Total variable-rate debt	19,158	6,954				
Mortgage notes payable – fixed-rate						
Sun America Life Insurance Company	13,139	13,189	6.46%	07/01/07	(7)	(11)
Bank of America, N.A.	16,014	16,062	7.55%	01/01/11	(8)	(11)
RBS Greenwich Capital	16,000	16,000	5.19%	06/01/13	(9)	(15)
RBS Greenwich Capital	15,000	15,000	5.64%	09/06/14	(10)	(16)
Interest rate swaps	93,689	86,156				
Total fixed-rate debt	153,842	146,407				
	$ 173,000	$ 153,361				

Notes:

(1) Elmwood Park Shopping Center;
$20,000 is outstanding under this $20,000 revolving facility

(2) Marketplace of Absecon; no amounts are outstanding under this $7,400 revolving facility.

(3) Soundview Marketplace; there is additional capacity of $5,000 on this facility

(4) Ledgewood Mall
Bradford Towne Center

(5) Branch Shopping Center
Abington Towne Centre
Methuen Shopping Center
Gateway Shopping Center
Town Line Plaza; there is additional capacity of $970 on this facility.

(6) Smithtown Shopping Center

(7) Merrillville Plaza

(8) GHT Apartments / Colony Apartments

(9) 239 Greenwich Avenue

(10) New Loudon Center

(11) Monthly principal and interest.

(12) Interest only monthly.

(13) Interest only monthly until fully drawn; monthly principal and interest thereafter.

(14) Annual principal and monthly interest.

(15) Interest only monthly until 5/05; monthly principal and interest thereafter.

(16) Interest only monthly until 9/06; monthly principal and interest thereafter.

Asset Sales

Asset sales are an additional source of our liquidity. A significant component of our business has been our multi-year plan to dispose of non-core real estate assets. We began this initiative following our restructuring in 1998 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 our portfolio. We 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 of $82.5 million.

Although we completed the non-core disposition initiative in 2002, we continue to identify non-core assets within our portfolio. During November of 2004, we 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.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At March 31, 2005, maturities on our mortgage notes ranged from July 2007 to September 2014. In addition, we have non-cancelable ground leases at three of our shopping centers. We also lease space for our White Plains corporate office for a term expiring in 2010. The following table summarizes our debt maturities and obligations under non-cancelable operating leases of March 31, 2005:

	Payments due by period				
(amounts in millions) Contractual obligation	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Future debt maturities	$ 173.0	$ 1.2	$ 38.6	$ 17.6	$ 115.6
Operating lease obligations	22.9	0.9	2.3	2.5	17.2
Total	$ 195.9	$ 2.1	$ 40.9	$ 20.1	$ 132.8

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OFF BALANCE SHEET ARRANGEMENTS

We have investments in three joint ventures for the purpose of investing in operating properties as follows:

We own a 49% interest in two partnerships which own the Crossroads Shopping Center ("Crossroads"). We account for our investment in Crossroads using the equity method of accounting as we have a non-controlling investment in Crossroads, but exercise significant influence. As such, our financial statements reflect our share of income from, but not the assets and liabilities of, Crossroads. The Company's pro rata share of Crossroads mortgage debt as of March 31, 2005 was $31.4 million. This fixed-rate debt bears interest at 5.4% and matures in December 2014.

Reference is made to the discussion of Funds I and II under "Uses of Liquidity" in this Item 7 for additional detail related to our investment in and commitments to Funds I and II. We own a 22% interest in Fund I and 20% in Fund II for which we also use the equity method of accounting. Our pro rata share of Funds I and II fixed-rate mortgage debt as of March 31, 2005 was $20.9 million at a weighted average interest rate of 6.1%. Our pro rata share of Fund I and II variable-rate mortgage debt as of March 31, 2005 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 our cash flow for the three months ended March 31, 2005 ("2005") with our cash flow for the three months ended March 31, 2004 ("2004").

Cash and cash equivalents were $6.2 million and $12.7 million at March 31, 2005 and 2004, respectively. The decrease of $6.5 million was a result of the following increases and decreases in cash flows:

	Three months ended March 31,		
	2005	2004	Change
Net cash provided by operating activities	$ 3.0	$ 6.8	$ (3.8)
Net cash used in investing activities	$ (24.3)	$ (8.8)	$ (15.5)
Net cash provided by financing activities	$ 14.0	$ 0.5	$ 13.5

The variance in net cash provided by operating activities resulted primarily from an increase of $1.9 million in operating income before non-cash expenses in 2005, which was primarily due to (i) an increase in management and service fee income from Fund II, (ii) additional fee income from the acquisition of certain management contracts and (iii) the settlement of an insurance claim. In addition, a net decrease in cash provided by operating assets and liabilities of $5.7 million resulted primarily from an increase in receivables related to third party construction cost reimbursements and a decrease in accounts payable and accrued expenses.

The increase in net cash used in investing activities resulted from a $20.0 million Preferred Equity investment in 2005 offset by a $2.9 million decrease in investments in and advances to unconsolidated partnerships in 2005 as well as a $1.0 million decrease in advances of notes receivable in 2005.

The increase in net cash provided by financing activities resulted from $21.9 million of additional cash provided by net additional borrowings in 2005. This increase was offset by $1.0 million of additional cash paid for dividends and distributions in 2005 and $7.9 million of cash provided by the exercise of stock options in 2004.

INFLATION

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

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Item 3 Quantitative and Qualitative Disclosures about Market Risk

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

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. We are a party to current and forward-starting interest rate swap transactions to hedge our exposure to changes in LIBOR with respect to $93.7 million and $24.4 million of notional principal, respectively. We also have two interest rate swaps hedging our exposure to changes in interest rates with respect to $31.3 million of LIBOR based variable-rate debt related to our investment in Crossroads.

The following table sets forth information as of March 31, 2005 concerning our 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	$ 1.2	$ —	$ 1.2	n/a
2006	2.2	—	2.2	n/a
2007	3.8	32.5	36.3	5.1%
2008	4.5	8.0	12.5	4.1%
2009	5.2	—	5.2	n/a
Thereafter	13.8	101.8	115.6	5.0%
	$ 30.7	$ 142.3	$ 173.0	

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

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2005	$ 0.2	$ 1.1	$ 1.3	5.8%
2006	1.0	—	1.0	n/a
2007	1.0	4.5	5.5	4.6%
2008	1.4	6.7	8.1	4.7%
2009	1.5	—	1.5	n/a
Thereafter	5.1	35.5	40.6	5.7%
	$ 10.2	$ 47.8	$ 58.0	

Of our total outstanding debt, $32.5 million will become due in 2007. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately $0.3 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable debt as of March 31, 2005 would increase by $0.2 million for a 100 basis point increase in LIBOR on our $19.2 million of floating rate debt after taking into account the effect of interest rate swaps which hedge such debt. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Item 4. Controls and Procedures

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

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

Part II. Other Information

Item 1. Legal Proceedings

There have been no material legal proceedings beyond those previously disclosed in the Company's filed Annual Report on Form 10-K for the year ended December 31, 2004.

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

None

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Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits

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) (21)
10.2	2003 Share Option Plan (16) (21)
10.3	Form of Share Award Agreement (17) (21)
10.4	Form of Registration Rights Agreement and Lock-Up Agreement (18)
10.5	Registration Rights and Lock-Up Agreement (RD Capital Transaction) (11)
10.6	Registration Rights and Lock-Up Agreement (Pacesetter Transaction) (11)
10.7	Contribution and Share Purchase Agreement dated as of April 15, 1998 among Mark Centers Trust, Mark Centers Limited Partnership, the Contributing Owners and Contributing Entities named therein, RD Properties, L.P. VI, RD Properties, L.P. VIA and RD Properties, L.P. VIB (9)
10.8	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, LP and Klaff Realty, Limited (18)
10.9	Employment agreement between the Company and Kenneth F. Bernstein (6) (21)
10.10	Employment agreement between the Company and Ross Dworman (6) (21)
10.11	Amendment to employment agreement between the Company and Kenneth F. Bernstein (18) (21)
10.12	First Amendment to Employment Agreement between the Company and Kenneth Bernstein dated as of January 1, 2001 (12) (21)
10.13	First Amendment to Employment Agreement between the Company and Ross Dworman dated as of January 1, 2001 (12) (21)
10.14	Letter of employment offer between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.15	Severance Agreement between the Company and Joel Braun, Sr. Vice President, dated April 6, 2001 (13) (21)
10.16	Severance Agreement between the Company and Joseph Hogan, Sr. Vice President, dated April 6, 2001 (13) (21)
10.17	Severance Agreement between the Company and Joseph Napolitano, Sr. Vice President dated April 6, 2001 (18) (21)
10.18	Severance Agreement between the Company and Robert Masters, Sr. Vice President and General Counsel dated January 2001 (18) (21)
10.19	Severance Agreement between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.20	Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000 (7)
10.21	Promissory Note between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.22	Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.23	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999 (7)
10.24	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 21, 1999 (7)
10.25	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999 (7)
10.26	Amended and Restated Mortgage Note between Port Bay Associates, LLC and Fleet Bank, N.A. dated July 19, 2000 (3)
10.27	Mortgage and Security Agreement between Port Bay Associates, LLC and Fleet Bank, N.A. dated July 19, 2000 (10)
10.28	Mortgage Note between Port Bay Associates, LLC and Fleet Bank, N.A. dated December 1, 2003 (18)
10.29	Mortgage and Security Agreement, and Assignment of Leases and Rents between Port Bay Associates, LLC and Fleet Bank, N.A. dated December 1, 2003 (18)
10.30	Note Modification Agreement between Port Bay Associates, LLC and Fleet Bank, N.A. dated December 1, 2003 (18)
10.31	Amended and Restated Promissory Note between Acadia Realty L.P. and Metropolitan Life Insurance Company for $25.2 million dated October 13, 2000 (10)
10.32	Amended and Restated Mortgage, Security Agreement and Fixture Filing between Acadia Realty L.P. and Metropolitan Life Insurance Company dated October 13, 2000 (10)
10.33	Term Loan Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.34	Mortgage Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.35	Promissory Note between RD Whitegate Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
10.36	Promissory Note between RD Columbia Associates, L.P. and Bank of America, N.A. dated December 22, 2000 (10)
10.37	Term Loan Agreement dated as of December 28, 2001, among Fleet National Bank and RD Branch Associates, L.P., et al (13)
10.38	Term Loan Agreement dated as of December 21, 2001, among RD Woonsocket Associates Limited Partnership, et al. and The Dime Savings Bank of New York, FSB (13)
10.39	Option Extension of Term Loan as of December 19, 2003 between RD Woonsocket Associates Limited Partnership, et al. and Washington Mutual Bank, FA (18)
10.40	Revolving Loan Promissory Note dated as of November 22, 2002, among RD Elmwood Associates, L.P. and Washington Mutual Bank, FA (15)

10.41	Revolving Loan Agreement dated as of November 22, 2002, among RD Elmwood Associates, L.P. and Washington Mutual Bank, FA (15)
10.42	Mortgage Agreement dated as of November 22, 2002, among RD Elmwood Associates, L.P. and Washington Mutual Bank, FA (15)
10.43	Note Modification Agreement between RD Elmwood Associates, L.P. and Washington Mutual Bank, FA dated December 19, 2003 (18)
10.44	Prospectus Supplement Regarding Options Issued under the Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan (19) (21)
10.45	Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form (19) (21)
10.46	Amended, Restated And Consolidated Promissory Note between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
10.47	Amended, Restated And Consolidated Mortgage, Assignment Of Leases And Rents And Security Agreement between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
10.48	Amended and Restated Term Loan Agreement between Fleet National Bank and Heathcote Associates, L.P., Acadia Town Line, LLC, RD Branch Associates, L.P., RD Abington Associates Limited Partnership, And RD Methuen Associates Limited Partnership dated 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)

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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)
10.50	Contribution Agreement between Levitz SL, L.L.C. and Acadia Levitz, LLC dated March 8, 2005 (20)
10.51	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust, Klaff Realty, LP and Klaff Realty, Limited dated February 15, 2005 (20)
10.51a	Registration Rights and Lock-up Agreement among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, LP dated February 15, 2005 (20)
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 (20)
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 (20)
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 (20)
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 (20)
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 Form10-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 Form10-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)	Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2004
(20)	Filed herewith
(21)	Management contract or compensatory plan or arrangement.

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SIGNATURES

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

ACADIA REALTY TRUST

May 9, 2005

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
(Principal Executive Officer)

May 9, 2005

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.50

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (the "Agreement") is made as of March 8, 2005, by and between Levitz SL, L.L.C. (the "Company") and Acadia Levitz, LLC (the "Investor"). Capitalized terms used herein but not otherwise defined have the meaning set forth in the Operating Agreement (as defined below).

BACKGROUND

A. The Company was formed under Delaware Law on May 21, 1999.

B. The Company operates pursuant to an operating agreement dated May 21, 1999, as amended on June 21, 2002, and as further amended on April 30, 2004 (collectively, the "Existing Operating Agreement").

C. The Investor desires to acquire a preferred membership interest in the Company in accordance with the term hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Investor shall contribute $20 million to the Company in exchange for a preferred equity interest (the "Preferred Interest") in the Company to be governed in accordance with the Third Amendment to Existing Operating Agreement (the "Third Amendment to Operating Agreement") in the form attached hereto as Exhibit "A". The Existing Operating Agreement and the Third Amendment to Operating Agreement are collectively, the "Operating Agreement".

2. Authorization and Closing.

(a) Authorization. The Company has authorized the issuance and sale to the Investor of the Preferred Interest having the rights, terms, covenants and preferences set forth in the Third Amendment to Operating Agreement.

(b) Issuance of Preferred Interest; Contribution. Upon the terms and subject to the conditions set forth herein, the Company shall issue to the Investor the Preferred Interest in exchange for an aggregate contribution to the Company of Twenty Million Dollars (U.S. $20,000,000) (the "Contribution Amount").

(c) Closing. The closing of the contribution and acquisition of the Preferred Interest (the "Closing") shall take place at the office of Klaff Realty, LP, 122 S. Michigan Avenue, Suite 1000, Chicago, IL 60603-6116, March 8, 2005, or at such other place or such other time or date as the Investor and the Company may designate (the "Closing Date"), which Closing may be accomplished by mail.

(d) Investor Closing Deliveries. At or prior to the Closing, the Investor will deliver to the Company:

(i) The Contribution Amount by wire transfer of immediately available funds to an account designated by the Company.

(ii) The Third Amendment to Operating Agreement, duly executed by the Investor.

(iii) The Indemnity Agreement in the form attached hereto as Exhibit "B", duly executed by Acadia Realty Limited Partnership, and made in favor of the L-A Members and Klaff Realty.

(iv) Certified resolutions from the Board of Trustees of Acadia Realty Trust authorizing the entering into and execution of this Agreement by the Investor and all other documents to be delivered in connection with the Closing and the transactions herein contemplated.

(v) Opinion of counsel reasonably satisfactory to the Company concerning due authorization and acquisition of the Preferred Interest by the Investor.

(vi) Such other documents and instruments as shall be reasonably required in order for the Investor to consummate this transaction in accordance with the terms and conditions of this Agreement.

(e) Company Closing Deliveries. At or prior to the Closing, the Company will deliver to the Investor:

(i) The Third Amendment to Operating Agreement, duly executed by the Continuing Members.

(ii) The Guaranty in the form attached hereto as Exhibit "C", duly executed by the L-A Member and the Klaff Member, and made in favor of the Investor.

(iii) Certified resolutions from the Voting Members authorizing the entering into and execution of this Agreement by the Company and all other documents to be delivered in connection with the Closing and the transactions herein contemplated.

(iv) (1) A certified copy of the Certificate of Formation, the limited liability company agreement, and a good standing certificate, each dated within thirty (30) days of the Closing Date, with respect to the Company and each Subsidiary that owns or leases the following properties: Northridge, CA, Oxnard, CA, St. Paul, MN, Farmingdale, NY, Milwaukie, OR and Woodbridge, NJ (each a "Material Property" and collectively, the "Material Properties"), and a (2) copy of the Certificate of Formation or Certificate of Limited Partnership, as applicable, and the limited liability company agreement or limited partnership agreement, as applicable, with respect to each other Subsidiary.

(v) A sworn statement from an authorized signatory on behalf of the Company made under oath and under penalties of perjury that the Company is not a "foreign person" and containing such information as shall be required by Internal Revenue Code Section 1445(b)(2) and the regulations issued thereunder.

(vi) A copy of the existing title insurance policy for each Material Property (each, a "Title Insurance Policy" and collectively, the "Title Insurance Policies"), together with an update (each, an "Title Update" and collectively, the "Title Updates") to each such Title Policy.

(vii) A copy of the existing survey with respect to each Material Property.

(viii) With respect to each Property, all environmental reports and any amendments or supplements thereto (each, an "Environmental Report" and collectively, the "Environmental Reports").

(ix) A consent from the Levitz Lender (the "Lender Consent") (1) certifying the outstanding principal amount of the Levitz Loan, and that to its knowledge no default exists thereunder, and (2) consenting to the admission of the Investor to the Company and the other transactions contemplated by this Agreement.

(x) Each of the material loan documents (the "Loan Documents") evidencing, securing or guaranteeing the Loan and any and all modifications or amendments thereto.

(xi) [Intentionally Deleted].

(xii) A true and complete copy of the Unitary Lease and any and all other Leases (as defined below) and any and all amendments and modifications thereto.

(xiii) A true and complete copy of each Overlease and any and all amendments and modifications thereto with respect to the following properties: Woodbridge, NJ, Sacramento, CA, Willowbrook, NJ, and San Leandro, CA.

(xiv) Opinion of counsel reasonably satisfactory to the Investor concerning due authorization and issuance of the Preferred Interest by the Company.

(xv) Such other documents and instruments as shall be reasonably required in order for the Company to consummate this transaction in accordance with the terms and conditions of this Agreement.

3. Representations and Warranties of Company. The Company hereby represents and warrants to the Investor that:

(a) Organization and Limited Liability Company Power. The Company is a limited liability company duly formed, validly existing and in good standing under the laws of Delaware. Each of the Company and the Subsidiaries has all requisite limited liability company power and authority or limited partnership power and authority to own, operate and lease its properties, to carry on its business as currently conducted and, subject to the Lender Consent and the consents of the Continuing Members, to execute and deliver this Agreement, the Third Amendment to Operating Agreement and any other instruments to be delivered pursuant hereto, to carry out the transactions contemplated by each of this Agreement and the Third

Amendment to Operating Agreement and to perform all of its obligations under this Agreement and the Third Amendment to Operating Agreement. The copy of the Company's Existing Operating Agreement and the Company's Certificate of Formation attached hereto as Exhibits "E-1" and "E-2", respectively, are true, correct and complete copies. The Existing Operating Agreement has not been altered or amended, except as shown in Exhibit "E-1" and is in full force and effect. There are no oral modifications, amendments or waivers by or among the members pertaining to the subject matter of the Existing Operating Agreement. The Company's obligations set forth in Sections 4.8, 4.9 and 4.10 of the Existing Operating Agreement have been satisfied in full.

(b) Authorization; No Breach. Subject to the Lender Consent and the consents of the Continuing Members, the execution, delivery and performance of each of this Agreement and the Third Amendment to Operating Agreement have been duly authorized by the Company. Subject to the Lender Consent and the consents of the Continuing Members, each of the Agreement and the Third Amendment to Operating Agreement constitutes valid and binding obligations of the Company, enforceable in accordance with its terms except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally and subject to the availability of equitable remedies. Subject to the Lender Consent and the consents of the Continuing Members, the execution and delivery by the Company of this Agreement and the Third Amendment to Operating Agreement, the offering, sale and issuance of the Preferred Interest hereunder and the fulfillment of and compliance with the respective terms hereof and thereof by the Company, does not and shall not conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, result in a violation of, or require any authorization, consent, approval, exemption or other action by any person or notice to any court or administrative or governmental body pursuant to, (1) the organizational documents of the Company or the Subsidiaries, (2) any law, statute, rule or regulation to which the Company or the Subsidiaries is subject, or (3) any agreement, instrument, order, judgment or decree to which the Company or the Subsidiaries is subject, except, in the case of subclauses (2) and (3) above, for any conflict, result, default, right or other requirement that could not reasonably be expected to have a material adverse effect on the transaction contemplated hereby.

(c) Capitalization and Related Matters. Exhibit" F" attached hereto sets forth the Members of the Company and each such Member's Percentage Interest immediately following the Closing. The Continuing Members are the only Members of the Company as of the date hereof and collectively own 100% of the Percentage Interests in the Company.

(d) Properties.

(i) The Company or one of the Subsidiaries is the sole owner of good, valid, fee simple, marketable and insurable title to each of those Properties listed on Exhibit "G-1" attached hereto (collectively, the "Fee Properties") and any and all fixtures located at each Fee Property or in the buildings, structures and other improvements thereon, is in each case free and clear of all Encumbrances, except for Permitted Encumbrances (as hereinafter defined). For purposes of this Agreement, the term "Encumbrances" shall mean any liens, mortgages, deeds of trust, security agreements, security interests, claims, options, rights of

purchase or first refusal, encroachments, rights-of-way, easements, operating agreements, covenants, encumbrances, reservations, orders, decrees, judgments, leases, subleases, licenses, assignments, agreements, charges, conditions, restrictions, rights of others or other matters affecting title to the Properties after the date hereof. For purposes of this Agreement, the term "Permitted Encumbrances" means: (1) the lien of current real property taxes, ground rents, water charges, sewer rents and assessments not yet due and payable, (2) any matter set forth in a Title Insurance Policy or Title Update delivered by the Company to the Investor pursuant to Section 2.1(e)(vi) hereof or in the title policy for any other Property, (3) the lien granted pursuant to any of the Loan Documents, and (4) any other matters described in Exhibit "H" attached hereto affecting title to Properties.

(ii) (1) The Company or one of the Subsidiaries is the holder of the lessee's interest in each Property listed on Exhibit "G-2" attached hereto (the "Leased Properties"). (2) The Company or one of its Subsidiaries has a good, valid, marketable and insurable leasehold interest in each such Property, subject to the Permitted Encumbrances. (3) Exhibit "G-2" includes a description of each Overlease and all amendments and modifications thereto pursuant to which the Leased Properties are leased. (4) Except for the Permitted Encumbrances, the Company and the Subsidiaries have not encumbered their interests in any of the Overleases and the Company has no actual knowledge of any other encumbrance of such interests. (5) Except as listed in Exhibit "I" attached hereto, (x) to the Company's actual knowledge, there exists no uncured event of default by any Subsidiary or the lessor under any Overlease, and (y) the lessor under each Overlease has not delivered to or received from any Subsidiary notices of default with respect to its Overlease which are presently subject to a grace or cure period.

(iii) Except for the Fee Properties listed on Exhibit "G-1" and the Leased Properties listed on Exhibit "G-2", and personal property incidental to the use and operation thereof, to the extent such personal property is owed by the applicable Subsidiary, the Company and the Subsidiaries own no other property, real or personal, tangible or intangible.

(iv) With respect to each Property for which a Title Insurance Policy has been delivered pursuant to Section 2.1(e)(vi) hereof, to the Company's actual knowledge, there has been no material adverse change in the state of title since the date of such Title Insurance Policy, except as disclosed in the Title Update for such Property.

(v) To the Company's actual knowledge, except as forth in Exhibit "J" attached hereto, (1) no part of any Property and no improvement thereon has been damaged by fire or other casualty or (2) is the subject of, or is affected by, any condemnation or eminent domain proceeding currently instituted or pending.

(vi) Except as set forth in the Environmental Reports delivered to the Investor, the Company has no actual knowledge of the existence, deposit, storage, removal, burial or discharge of any "Hazardous Material" on, under or about any Property. Hazardous Material shall mean (1) asbestos and any chemicals, flammable substances or explosives, any radioactive materials (including radon), any other hazardous wastes or substances which have, as of the date hereof, been determined under any applicable Federal, State or local government law to be hazardous, toxic or waste by the U.S. Environmental

Protection Agency, the U.S. Department of Transportation, and/or any instrumentality now or hereafter authorized to regulate materials and substances in the environment which has jurisdiction over the Property ("Environmental Agency"), (2) any oil, petroleum or petroleum derived substance, any drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, (3) PDBs, (4) lead, and (5) infectious materials, which materials listed under items (1), (2), (3), (4) and (5) above cause the Property (or any part thereof) to be in material violation of any applicable environmental laws or the regulations of any Environmental Agency so as to require remediation.

(vii) Except for the Permitted Encumbrances or as set forth in Exhibit "K" attached hereto, no person has an option to purchase or rights of refusal to purchase any Property or the buildings, structures or other improvements thereon or any part thereof or interest therein, except as provided herein and in the Operating Agreement.

(e) Debt.

(i) (1) With respect to the Properties subject to the Levitz Loan, there is no indebtedness with respect to any such Property or any excess cash flow or any residual interest therein, whether secured or unsecured, other than Permitted Encumbrances and the permitted indebtedness described in Section 6.8 of the original loan agreement for the Levitz Loan. (2) With respect to the property held by Portland-Johnson (the "Portland-Johnson Property"), there is no indebtedness with respect to such property or any excess cash flow or any residual interest therein, whether secured or unsecured, other than Permitted Encumbrances and Permitted Indebtedness (as such term is defined in Section 5.22 of the loan agreement for the Portland-Johnson Loan).

(ii) (1) To the Company's actual knowledge, none of the Subsidiaries that are subject to the Levitz Loan are in default of any of the terms, covenants and conditions set forth in the Levitz Loan documents, and the Company has no actual knowledge of any facts or circumstances which, with the passage of time or notice or both, would reasonably be likely to constitute such a default. (2) To the Company's actual knowledge, Portland-Johnson is not in default of any of the terms, covenants and conditions set forth in the Portland-Johnson Loan documents, and the Company has no actual knowledge of any facts or circumstances which, with the passage of time or notice or both, would reasonably be likely to constitute such a default.

(f) Other Material Contracts and Commitments. Attached hereto as Exhibit "L" is a true and materially complete list of all contracts, agreements, commitments and other instruments that are in excess of One Hundred Thousand ($100,000) Dollars in each instance and to which the Company or any of the Subsidiaries is a party or by which any or all of them is or are bound as of the date hereof (collectively, the "Material Contracts"), including all amendments thereto and modifications thereof. To the Company's actual knowledge, no party is in default in any material respect under any of the Material Contracts or (to the extent that it might cause liability from and after the Closing Date) any prior Material Contracts to which the Company was a party or by which it was bound (including, without limitation, any contracts of sale and deeds of real property).

(g) Books and Records. The books of account and other records of the Company and the Subsidiaries are in all material respects complete and correct and have been maintained in accordance with good business practices.

(h) Tax Returns. All Tax Returns (as hereinafter defined) required by law to be filed by the Company or the Subsidiaries on or prior to the date of this Agreement have been filed, and all such Tax Returns are correct, accurate and complete in all material respects. To the Company's actual knowledge, the Company has paid all Taxes (as hereinafter defined) shown on such Tax Returns, except for any contested Taxes, as set forth in Exhibit "M" attached hereto. For purposes of this Agreement (1) "Tax" or "Taxes" shall mean any or all federal, state, local or foreign taxes (whether in the nature of income, franchise, transfer, gains, profits, sales or use, withholding, employee, excise, personal property, customs, gross receipts or other taxes or duties of any kind whatsoever) (other than real property taxes, or transfer and recording taxes, if any, payable by the Company in connection with the transactions contemplated by this Agreement) and penalties, interest and fines, with respect thereto and (2) "Tax Return" or "Tax Returns" shall mean any report, return or other information or statement, or any amendment thereof, required to be supplied in connection with any Tax. The Company has not filed with any governmental authority any agreement amending the period for the assessment of Taxes for which the Company or its Subsidiaries may be liable. To the actual knowledge of the Company, no audit of any of the tax returns or reports filed by the Company or the Subsidiaries is in progress or is contemplated by any governmental authority.

(i) Insurance. Attached hereto as Exhibit "D" are true and correct copies of certificates with respect to polices of property, fire, casualty, liability, life, and/or workmen's compensation insurance maintained by the Company and/or the Subsidiaries. All such policies (1) are fully paid for, to the Company's actual knowledge, and in full force and effect; and (2) are, to the Company's actual knowledge, sufficient for compliance by the Company and the Subsidiaries, as the case may be, with all requirements of law and with the requirements of all agreements to which the Company and/or the Subsidiaries are parties. The Company has no actual knowledge that any of the provisions of any such insurance policy have been violated and the Company and the Subsidiaries have not received any notice or request from any insurance company or Board of Fire Underwriters (or organization exercising functions similar thereto) that was not complied with requiring the performance of any work or alteration with respect to the Properties, or any part thereof or improvement or structure thereon, or canceling or threatening to cancel any of said policies or to increase the premiums therefor.

(j) Litigation; Bankruptcy.

(i) To the Company's actual knowledge, except as set forth in Exhibit "N" attached hereto, there are no actions, suits, claims, arbitrations, litigation, proceedings or investigations pending against the Company or the Subsidiaries, which, if adversely determined, might materially adversely affect the condition (financial or otherwise) of business of the Company, any Subsidiary or the condition or ownership of any Property.

(ii) None of the Company or any of the Subsidiaries is now or has ever been a debtor under any case commenced under the United States Bankruptcy Code, or any predecessor thereof, or any state insolvency law, or are any such parties taking any steps to

commence any such bankruptcy or insolvency proceeding nor, to the Company's actual knowledge, is any creditor preparing or threatening to commence any involuntary bankruptcy or involving case against the Company or against any Subsidiary.

(k) Compliance with Applicable Laws. Except as set forth in Exhibit "O" attached hereto or in the Environmental Reports, to the Company's actual knowledge, the Company and the Subsidiaries are in material compliance with all statutes, laws, ordinances, regulations, rules, determinations, requirements, orders, judgments and decrees, applicable to it or to its assets, properties or business, including, without limitation, all applicable federal and state securities laws and regulations, and all federal, state and local statutes, laws, ordinances, regulations, rules, requirements, orders, judgments and decrees, including without limitation, those pertaining to the maintaining, operating, ownership or management of real property, pertaining to employment and employment practices, terms and conditions of employment, and wages and hours, and pertaining to safety, health, fire prevention, environmental protection, building standards, zoning and other matters. Except as set forth in Exhibit "O" or the Environmental Reports, none of the Company or the Subsidiaries has received any written notice that is still outstanding from any governmental authority having jurisdiction over any Property to the effect that a Property is not in compliance with applicable laws and ordinances, including all applicable zoning and land use laws and ordinances (provided that a notice shall be deemed to be "outstanding" until the Company has paid all amounts due and owing as a result of such non-compliance).

(l) Leases. Attached hereto as Exhibit "P-1" is a true and complete list of all agreements pursuant to which any person uses or occupies or has the right to use or occupy, any part of any Property, including all amendments thereto and modifications thereof (the "Leases"). To the Company's actual knowledge, all of the Leases are valid, in full force and effect and there are no monetary or material non-monetary defaults thereunder on the part of tenant or the landlord thereunder except as disclosed on Exhibit "P-2" attached hereto. To the Company's actual knowledge, no tenant under any Lease has any defense, set-off or claim or any basis for any defense or claim for reduction, deduction or set-off against the landlord thereunder or the rent under any such Lease or the other obligations owed by such tenant under such Lease. Except as disclosed on Exhibit "P-2", no tenant under a Lease has given the landlord thereunder written notice of any intent to terminate its Lease prior to the end of its stated term or otherwise to cease the active conduct of the tenant's business, and no tenant has paid any rent, additional rent or other charge of any nature for a period of more than thirty (30) days in advance. To the Company's actual knowledge, there are no brokerage or finders commissions or other compensation or fees payable after the date hereof by reason of the Leases or any extensions, expansions, renewals or modifications thereof, or that could be due in the future, all with respect to amounts owing or owed to any exclusive leasing agent or pursuant to any exclusive leasing agreement with respect to the Leases, except as set forth on Exhibit "P-2".

(m) Financial Statements. A true and complete set of unaudited financial statements of the Company and the Subsidiaries as of December 31, 2004, has been delivered to the Investor and, to the Company's actual knowledge, such financial statements present fairly the financial condition of the Company and of the Subsidiaries in accordance with generally accepted accounting principals consistently applied, as of the date thereof. To the Company's actual knowledge, no material adverse change has occurred in the financial

condition, operation, assets or liabilities of the Company and of the Subsidiaries since the date of such financial statements.

(n) Real Estate Taxes. To the Company's actual knowledge, there are no unpaid or outstanding real estate or other taxes or assessments on or against the Properties, or any part thereof, except for real estate taxes not yet due and payable. To the Company's actual knowledge, there are no unpaid or outstanding charges for water, sewer or other utilities except those not yet due and payable.

(o) Taxation as Partnership. The Company has been treated as a partnership and that the Members of the Company as of the date hereof are taxed as partners for federal, state, local and foreign income tax purposes. The Company has not filed any election pursuant to Treasury Regulation Section 301.7701 3(c) to be treated as an entity other than a partnership. The Company has not elected, pursuant to Code Section 761(a) or otherwise to be excluded from the provisions of Subchapter K of the Code. The Company has prepared and filed with the IRS and other necessary taxing authorities all documents, if any, necessary to confirm and maintain its status as a partnership.

(p) No Employees. The Company and each Subsidiary have no employees.

(q) Subsidiaries. The Company owns a limited liability company or limited partnership interest, as the case may be, in those Subsidiaries and their general partners (the "General Partners"), as applicable, all of which are set forth on Exhibit "Q-1" attached hereto. The only subsidiaries that the Company has an ownership interest in are the Subsidiaries and the General Partners listed on Exhibit "Q-1". As of the date hereof, the Company has good and valid title to an ownership interest in the percentage set forth on Exhibit "Q-1" with respect to each Subsidiary and General Partner free and clear of all liens, security interests, options, rights of first refusal and adverse claims to title of any kind or character, and such interests are not subject to any agreement (other than this Agreement) providing for the sale or transfer thereof, except as set forth in Exhibit "Q-2". Each of the Subsidiaries and General Partners is duly organized, validly existing and in good standing under the laws of the state of its organization, has the full and unrestricted power and authority, corporate and otherwise, to own, operate and lease its properties and to carry on its business as currently conducted. Each Subsidiary's and General Partner's organizational documents are in full force and effect. The Company is not in default of any of its obligations under any of the Subsidiary or General Partners organizational documents and the Company has no actual knowledge of any other party thereto being in default of its obligations thereunder, except as set forth on Exhibit "Q-3" attached hereto.

(r) Preferred Interest. The Preferred Interest is not subject to any lien, pledge or encumbrance of any nature whatsoever and the Investor is acquiring same free of any rights to same by any other party.

(s) Property Information. The Company has made available to the Investor true and correct copies of all leases and environmental, title and survey reports for the

Properties (collectively with the Loan Documents and the financial statements referred to in Section 3(t) above, the "Transaction Documents and Information").

(t) No Brokers. The Company is not a party to or in any way obligated to make any payment relating to, any contract or outstanding claim for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution or performance of this Agreement or the acquisition of the Preferred Interest by the Investor hereunder.

(u) Legal Counsel. The Company has been duly represented by legal counsel in connection with the negotiation of this Agreement and the Third Amendment to Operating Agreement.

The representations and warranties of the Company as to itself and the Subsidiaries set forth in this Section 3 shall be deemed remade as of Closing. As used in this Agreement, the term "to the Company's actual knowledge" or any other reference to the knowledge of the Company (a) shall mean and apply to the actual knowledge of Hersch Klaff and Leslie Marshall (the "Company's Knowledge Individuals"), and not to any other persons, (b) shall mean the actual (and not implied or constructive) knowledge of the Company's Knowledge Individuals, without any duty on the Company's Knowledge Individuals to conduct any investigation or inquiry of any kind, and (c) shall not apply to or to be construed to apply to information or material which may be in the possession of the Company of the Subsidiaries generally or incidentally, but which is not actually known to the Company's Knowledge Individuals. Similarly, any reference to any written notice, claim, litigation, filing or other correspondence or transmittal to the Company or the Subsidiaries set forth herein shall be limited to refer to only those actually received by or known to the Company's Knowledge Individuals in the limited manner provided in clauses (a) through (c) above. Each of the representations and warranties contained in this Section 3 is subject to the information disclosed in the Transaction Documents and Information. Each representation and warranty of the Company contained in this Agreement shall be modified as appropriate so as to disclose any material inaccuracies or exceptions to such representations or warranties that have arisen, to the Company's actual knowledge, during the period after the date hereof and prior to the Closing Date, provided that the Company shall not be required to disclose any Permitted Changes (as defined below) and its remade representations and warranties shall be deemed subject to any and all applicable Permitted Changes. As used in this Agreement, "Permitted Changes" shall mean: (i) any matters expressly permitted in this Agreement or otherwise specifically approved or agreed to in writing by the Investor; and (ii) any matter or action that this Agreement expressly contemplates will take place or occur prior to or concurrently with the Closing.

Notwithstanding anything to the contrary in this Agreement, the representations and warranties set forth in Sections 3(d)(ii)(2) and (4), 3(d)(v)(1), 3(d)(vi) and 3(k) shall not apply to the Existing Homelife Demised Premises. The Existing Homelife Demised Properties are identified on Exhibit "G-2".

4. Covenants of Company.

(a) Access. The Company shall afford, and shall cause its Subsidiaries, to afford, to the Investor and the Investor's accountants, counsel and

representatives full access during normal business hours throughout the period prior to the Closing Date (or the earlier termination of this Agreement pursuant to Section 11(b)) to all their respective Properties, books, commitments, contracts and records and, during such period, shall, upon request, furnish promptly to the Investor all other information concerning them as the Investor may reasonably request, provided that no investigation or receipt of information pursuant to this Section 4(a) shall affect any representation or warranty of the Company or the conditions to the obligations of the Investor. The Investor shall give the Company reasonable advance notice of entry by the Investor or any of its agents, employees or contractors onto the Properties so that the Company shall have an opportunity to have a representative present during any such inspection, and the Company expressly reserves the right to have such a representative present. The Investor shall not perform any invasive tests at the Properties. The Investor agrees that in exercising its right of access hereunder, the Investor will use and will cause its agents, employees or contractors to use their reasonable efforts not to interfere with the activity or rights of tenants or any persons occupying or providing service at the Property.

(b) Requests by Investor. The Company shall, subject to the satisfaction of the conditions set forth in Section 8, take such actions, in each case, as may be necessary or reasonably requested by the Investor in order to consummate or implement the terms of this Agreement.

(c) Other Actions. Upon the terms and subject to the conditions of this Agreement, the Company will use its commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated hereby.

(d) Notices. For so long as the Investor is a Member, the Company shall copy the Investor on all notices, consents, approvals and requests given or received by the Company in connection with the Loan and any refinancings thereof. The covenant and obligation contained in this Section 4(d) shall survive Closing hereunder.

(e) Transfer Taxes. The Company shall pay any transfer taxes due in connection with (i) the issuance of the Preferred Interest to the Investor and the admission of the Investor as a Member to the Company and (ii) the redemption of the Investor's Preferred Interest in accordance with the terms of the Third Amendment to Operating Agreement. The covenant and obligations contained in this Section 4(e) shall survive Closing hereunder.

5. Representations and Warranties of Investor. The Investor hereby represents and warrants that:

(a) Intentions of Investor. The Investor is acquiring the Preferred Interest acquired pursuant hereto for its own account with the present intention of holding such securities for purposes of investment, and it has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws.

(b) Securities Act. The Investor understands that the Preferred Interest has not been registered under the Securities Act of 1934 (the "Securities Act") or the securities

laws of any state and must be held indefinitely unless subsequently registered under the Securities Act and any applicable state securities laws or unless an exemption from such registration becomes or is available.

(c) "Accredited Investor". The Investor is an "accredited investor", as defined under Rule 501(a) promulgated under the Securities Act.

(d) Corporate Power. The Investor has all requisite power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby. The Investor has taken all action as and in the manner required by law, its certificate of incorporation or bylaws, its certificate of formation or limited liability company agreement or otherwise to authorize the execution, delivery and performance of this Agreement, the Third Amendment to Operating Agreement and the other ancillary documents to which it is a party and the transactions contemplated hereby and thereby.

(e) Investigations by Investor. The Investor has had ample opportunity to make inquiries of the Company's Manager and Voting Members, examine books and records of the Company and the Subsidiaries and otherwise to conduct such investigation as the Investor has deemed appropriate in connection with its acquisition of the Preferred Interest. The Investor has entered into this Agreement solely upon its independent investigation of the Company, the Subsidiaries, the Existing Operating Agreement, and the Transaction Documents and Information. The Investor is not relying upon any oral information supplied by or any oral representations made by or on behalf of the Company of the Subsidiaries, or upon budgets or projections of any kind that may have been supplied to it. The Company makes no representation or warranty (and assumes no responsibility with respect to) the future operations of the Company or the Subsidiaries, and the Company assumes no responsibility or liability with respect to the future performance by the Company or the Subsidiaries.

(f) No Breach. The execution and delivery of this Agreement, and the Third Amendment to Operating Agreement, do not, and the consummation of the transactions contemplated hereby and thereby will not, violate (i) any provisions of the organizational documents of the Investor, (ii) any material terms of any material contract or commitment of any kind or character to which the Investor is a party or by which it or its property may be bound, or (iii) any law, regulation, rule, judgment or order applicable to the Investor or its property.

(g) Enforceability. This Agreement and the Third Amendment to Operating Agreement, each constitutes the valid and binding obligation of the Investor, enforceable in accordance with their terms except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally and subject to the availability of equitable remedies.

(h) No Brokers. The Investor is not a party to or in any way obligated to make any payment relating to, any contract or outstanding claim for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution or performance of this Agreement or the acquisition of the Preferred Interest hereunder.

(i) Legal Counsel. The Investor has been duly represented by legal counsel in connection with the negotiation of this Agreement and the Third Amendment to Operating Agreement.

The representations and warranties of the Investor set forth in this Section 5 shall be deemed remade as of the Closing.

6. Covenants of Investor.

(a) Third Amendment to Operating Agreement; Requests by Company. The Investor shall (i) subject to the satisfaction of the conditions set forth in Section 7, execute and/or deliver the Third Amendment to Operating Agreement and the Indemnity Agreement and such other documents, certificates, agreements and other writings and (ii) take such other actions as may be necessary or reasonably requested by the Company in order to consummate or implement expeditiously the acquisition of the Preferred Interest in accordance with the terms of this Agreement.

(b) Other Actions. Upon the terms and subject to the conditions of this Agreement, the Investor will use its commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated hereby.

7. Conditions to the Obligations of Investor. The obligation of the Investor to make the contribution to the Company at the Closing and the other obligations of the Investor hereunder required to be performed on the Closing Date shall be subject to the satisfaction (or waiver by the Investor) as of the Closing Date of the following conditions:

(i) The Investor shall have received the closing deliveries described in Section 2(e) hereof.

(ii) The representations and warranties of the Company made in Section 3 of this Agreement shall be true and correct in all material respects when made and as of the Closing Date as though made on and as of the Closing Date.

(iii) The Company shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by the Company by the Closing Date.

(iv) There shall exist no claim, action, suit, investigation, litigation or proceeding, pending or threatened in any court or before any arbitrator or governmental instrumentality which relates to the transactions contemplated by this Agreement or that materially adversely affects the Company.

(v) The Company shall have paid all of the Investor's reasonable expenses incurred in the due diligence, structuring and completion of its contribution to the Company and the issuance of the Preferred Interest, including, but not limited to, reasonable attorneys' fees.

8. Conditions to the Obligations of Company. The obligation of the Company to sell the Preferred Interest and the other obligations of the Company hereunder required to be performed on the Closing Date shall be subject to the satisfaction (or waiver by the Company) as of the Closing Date of the following conditions:

(i) The Company shall have received the closing deliveries described in Section 2(d) hereof.

(ii) The representations and warranties of the Investor contained in Section 5 of this Agreement shall have been true and correct in all material respects when made and as of the Closing Date as though made on and as of the Closing Date.

(iii) The Investor shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by the Investor by the Closing Date.

9. Legend. If certificated, each certificate for Restricted Securities shall be imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER AND COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THAT CERTAIN LEVITZ SL, LLC OPERATING AGREEMENT AS OF MAY 21, 1999, AS AMENDED AND MODIFIED FROM TIME TO TIME. A COPY OF SUCH AGREEMENT SHALL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE."

10. "As-Is, Where Is". EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY EXPRESSLY SET FORTH IN SECTION 3 OF THIS AGREEMENT, THE INVESTOR WARRANTS AND ACKNOWLEDGES TO AND AGREES WITH THE COMPANY THAT THE COMPANY, THE SUBSIDIARIES AND THEIR RESPECTIVE ASSETS AND PROPERTIES ARE IN THEIR "AS-IS, WHERE IS" CONDITION "WITH ALL FAULTS" AS OF THE CLOSING DATE AND SPECIFICALLY AND EXPRESSLY WITHOUT ANY WARRANTIES, REPRESENTATIONS OR GUARANTEES, EITHER EXPRESS OR IMPLIED, AS TO THEIR CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY, OR ANY OTHER WARRANTY OF ANY KIND, NATURE, OR TYPE WHATSOEVER FROM OR ON BEHALF OF THE COMPANY. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY EXPRESSLY SET FORTH IN SECTION 3 OF THIS AGREEMENT, THE COMPANY SPECIFICALLY DISCLAIMS ANY WARRANTY,

GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST OR PRESENT, EXPRESS OR IMPLIED, CONCERNING (I) THE VALUE, NATURE, QUALITY OR CONDITION OF THE COMPANY, THE SUBSIDIARIES AND THEIR RESPECTIVE ASSETS AND PROPERTIES OR THE PREFERRED INTEREST, INCLUDING THE WATER, SOIL AND GEOLOGY OF THE PROPERTIES, (II) THE INCOME TO BE DERIVED FROM THE ASSETS AND THE PROPERTIES, (III) THE SUITABILITY OF THE PROPERTIES FOR ANY AND ALL ACTIVITIES AND USES WHICH THE INVESTOR MAY CONDUCT THEREON, INCLUDING THE POSSIBILITIES FOR FUTURE DEVELOPMENT OF THE PROPERTIES, (IV) THE COMPLIANCE OF OR BY THE COMPANY, THE SUBSIDIARIES AND THEIR RESPEVTIVE ASSETS OR PROPERTIES (OR THEIR OPERATION) WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (V) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTIES, (VI) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTIES, (VII) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTIES, (VIII) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS AT, ON, UNDER, OR ADJACENT TO THE PROPERTIES OR ANY OTHER ENVIRONMENTAL MATTER OR CONDITION OF THE PROPERTIES, (IX) THE UNITARY LEASE, OVERLEASES, OTHER LEASES OR OTHER AGREEMENTS AFFECTING THE COMPANY, THE SUBSIDIARIES OR THEIR RESPECTIVE ASSETS OR PROPERTIES, OR (X) ANY OTHER MATTER WITH RESPECT TO THE COMPANY, THE SUBSIDIARIES AND THEIR RESPECTIVE ASSETS OR PROPERTIES. THE INVESTOR ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY CONTAINED IN SECTION 3 OF THIS AGREEMENT, ANY INFORMATION PROVIDED BY OR ON BEHALF OF THE COMPANY OR THE SUBSIDIARIES WITH RESPECT TO THE COMPANY'S AND THE SUBSIDARIES' RESPECTIVE ASSETS AND PROPERTIES WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT THE COMPANY HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE COMPANY SHALL NOT BE LIABLE OR BOUND IN ANY MANNER BY ANY ORAL OR WRITTEN STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE COMPANY, THE SUBSIDIARIES AND THEIR RESPECTIVE ASSETS AND PROPERTIES (OR THEIR OPERATION), FURNISHED BY ANY REAL ESTATE BROKER, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 3 OF THIS AGREEMENT.

11. Miscellaneous.

(a) Remedies. The Investor shall have all rights and remedies set forth in this Agreement and the other ancillary documents and all of the rights that the Investor has under any law.

(b) Termination. This Agreement may be terminated at any time prior to the Closing Date by mutual agreement of the Company and the Investor.

(c) Press Releases. The Company and the Investor will consult with the other before issuing, and provide the other the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated hereby and will not issue any such press release or make any such public statement without the other party's prior written consent, except that a party hereto may make such disclosures as are required by law, but only after disclosing to each of the other parties hereto the basis for concluding that such disclosure is so required and the contents of such disclosure.

(d) Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument and shall be deemed to have been duly given when delivered in person, by telecopy, by facsimile, by nationally-recognized overnight courier, or by first class registered or certified mail, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by the addressee as follows:

If to the Company:

Levitz SL, L.L.C.
c/o Klaff Realty, LP
122 S. Michigan Avenue, Suite 1000
Chicago, IL 60603-6116
Attention: Hersch Klaff and Keith Brown

with a copy to:

Klehr, Harrison, Harvey, Branzburg & Ellers LLP
260 S. Broad Street
Philadelphia, PA 19102-5003
Attention: Lawrence J. Arem

If to the Investor:

Acadia Levitz, LLC
1311 Mamaroneck Avenue
Suite 260
White Plains, NY 10605
Attention: Kenneth F. Bernstein and Joel Braun

with a copy to:

Acadia Levitz, LLC
1311 Mamaroneck Avenue
Suite 260
White Plains, NY 10605
Attention: Robert Masters

All such notices, requests, consents and other communications shall be deemed to have been delivered (i) in the case of personal delivery, on the date of such delivery, (ii) in the

case of nationally-recognized overnight courier, on the next Business Day and (iii) in the case of mailing, on the third Business Day following such mailing if sent by certified mail, return receipt requested.

(e) Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

(f) Consent to Amendments. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Investor. No other course of dealing between the Company and the Investor or any delay in exercising any rights hereunder operate as a waiver of any rights of Investor.

(g) Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, regardless of any investigation made by a party or on its behalf.

(h) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(i) Entire Agreement. Except as otherwise expressly set forth herein, this Agreement and the other ancillary documents embody the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, that may have related to the subject matter hereof in any way.

(j) Counterparts. This Agreement may be executed in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

(k) Governing Law. This Agreement will be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or conflicting provision or rule (whether of the State of Delaware, or any other jurisdiction) that would cause the laws of any jurisdiction other than the State of Delaware to be applied. In furtherance of the foregoing, the internal law of the State of Delaware will control the interpretation and construction of this Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

(l) Waiver Of Jury Trial. THE COMPANY AND THE INVESTOR HEREBY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT OR THE VALIDITY, PROTECTION, INTERPRETATION OR ENFORCEMENT THEREOF. THE COMPANY AND THE INVESTOR AGREE THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND WOULD NOT ENTER INTO THIS AGREEMENT IF THIS SECTION WERE NOT PART OF THIS AGREEMENT.

(m) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the date first above written.

COMPANY:

By: LUBERT-ADLER REAL ESTATE FUND II, L.P., its voting member

By: Lubert-Adler Group II, L.P., its general partner

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

By: ----------

Its: ----------

By: LUBERT-ADLER REAL ESTATE PARALLEL FUND II, L.P., its voting Member

By: Lubert-Adler Group II, L.P., its general partner

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

By: ----------

Its: ----------

By: LEVITZ SL KLAFF EQUITY, L.L.C., its voting member

By: Klaff Realty, LP, its manager

By: Klaff Realty, Ltd., its general partner

By: ----------

Its: ----------

[SIGNATURES CONTINUE ON NEXT PAGE]

INVESTOR:

ACADIA LEVITZ, LLC

By:

Its:

EXHIBIT "A"

FORM OF THIRD AMENDMENT TO OPERATING AGREEMENT

EXHIBIT "B"

FORM OF INDEMNITY AGREEMENT

EXHIBIT "C"

FORM OF GUARANTY

EXHIBIT "D"

COPIES OF CERTIFICATES OF INSURANCE

EXHIBIT "E-1"

COPY OF COMPANY'S EXISTING OPERATING AGREEMENT

EXHIBIT "E-2"

COPY OF COMPANY'S CERTIFICATE OF FORMATION

EXHIBIT "F"

MEMBERS AND THEIR PERCENTAGE INTEREST

Member	Percentage Interest
Lubert-Adler Real Estate Fund II, L.P.	23.427%
Lubert-Adler Real Estate Parallel Fund II, L.P.	34.413%
Levitz SL Klaff Equity, L.L.C.	12.16%
Blackacre Furniture Funding LLC	30.00%
K.S. Opportunities III, L.L.C. (Promote Member)*	0.00%

* Promote Member is entitled to an allocation of Net Profits and Net Losses and to certain distributions as provided in the Existing Operating Agreement.

EXHIBIT "G-1"

FEE PROPERTIES

St. Paul, 3201 Country Dr., St. Paul, MN 55117-1096

Oxnard, 2420 N. Oxnard Blvd., Oxnard, CA 93030

Northridge, 19350 Nordhoff Street, Northridge, CA 91324

Farmingdale, 90 Price Parkway, Farmingdale, NY 11735

Portland-Johnson, 13631 S. E. Johnson Rd., Milwaukie, OR 97222-1295

EXHIBIT "G-2"

LEASED PROPERTIES

La Puente, 17520 E. Castleton Street, City of Industry, CA 91744-1701

Description of Overlease:

A. Lease dated March 1, 1979, by and between Wincorp Industries Inc. (Landlord) and Levitz Furniture Corporation (Tenant)
B. Letter dated July 1, 1980, from Wincorp Industries Inc. to Levitz Furniture Corporation giving notice of commencement date as June 29, 1980
C. First Amendment to Lease dated September 1, 1979, between Wincorp Industries, Inc., a Delaware corporation, and Levitz Furniture Corporation
D. Tri-Party Agreement entered into as of April 4, 1980, among Wincorp Industries, Inc., Levitz Furniture Corporation and Laurel Development Company
E. Letter Agreement entered into on or about July 1, 1980, between Wincorp Industries, Inc. and Levitz Furniture Corporation
F. Letter Agreement entered into on or about October 17, 1997, between The Estate of James Campbell and BT Commercial Corporation and acknowledged by Levitz Furniture Incorporated and Levitz Furniture Company of the Pacific Realty, Inc.
G. Order Under 11 U.S.C. Sections 363, 365 and 1146(c) and Fed. R. Bankr. 6004 and 6006 (I) Authorizing Sale-Leaseback Transaction Free and Clear of Liens, Claims, Encumbrances, and Interests and (II) Determining that the Sale-Leaseback Transaction is Exempt from any Stamp, Transfer, Recording or Similar Tax
H. Letter dated May 13, 2004, from Tenant to Landlord re: Tenant's exercise of one (1) twenty (20) year extension option
I. Letter dated September 20, 2004, from Landlord to Tenant re: Base Rent during option term
J. Letter dated January 12, 2005, from Tenant to Landlord re: Base Rent during option term

San Leandro, 3199 Alvarado Street, San Leandro, CA 94577-5790

Description of Overlease:

A. Lease Agreement dated as of August 25, 1971, by and between Peerage Equities Corporation (Lessor) and Levitz Furniture Corporation (Lessee)
B. Warranty Deed dated 8/25/71 between Peerage Equities Corporation and Ruth E. Jensen (Building and Improvements only)
C. Assignment of Levitz Lease dated 8/25/71 between Peerage Equities Corporation, as assignor, and Ruth E. Jensen, as assignee
K. First Amendment to Lease Agreement dated December 21, 1971
L. Warranty Deed dated 12/31/71 between Peerage Equity Corporation, as grantor and Corporate Property Investors, as grantee (land only exclusive of any buildings)

M. Warranty Deed dated March 3, 1981, between Ruth E. Jensen, as grantor, and Frederick G. Gould, grantee (Buildings and Improvements only)
N. Assignment of Ground Lease dated March 3, 1981, between Ruth E. Jensen, assignor, and Frederick G. Gould, as assignee
O. Assignment of Levitz Lease dated March 3, 1981, between Ruth E. Jensen, as assignor, and Frederick G. Gould, as assignee
P. General Assignment dated March 3, 1981, between Ruth E. Jensen, as assignor, and Frederick G. Gould, as assignee
Q. Warranty Deed dated October 11, 1982, between Frederick G. Gould, as grantor and John A. Washburn, as grantee (Buildings and Improvements only).
R. Assignment of Ground Lease dated October 11, 1982, between Frederick G. Gould, as assignor, and John A. Washburn, as assignee
S. Assignment of Levitz Lease dated October 11, 1982, between Frederick G. Gould, as assignor, and John A. Washburn, as assignee
T. General Assignment dated as of October 11, 1982, between Frederick G. Gould, as assignor, and John A. Washburn, as assignee
N. Notice to Levitz Furniture Corporation of assignment of lease
O. Letter dated October 29, 1996, by Levitz Furniture Corporation exercising its first option to extend Lease from July 1, 1997 to June 30, 2002
P. Letter dated October 1, 2001, exercising its second option to extend lease.

Willowbrook, 531 Route 46, Fairfield, NJ 07004-1907

Description of Overlease:

A. Ground Lease dated November 22, 1971, by and between Peerage Equities Corporation (Lessor) and Spice Properties Co., Inc. (Lessee)
B. Lease Agreement dated November 22, 1971, by and between Peerage Equities Corporation (Lessor) and Levitz Furniture Corporation (Lessee)
C. Assignment of Lease dated November 22, 1971, by and between Peerage Equities Corporation (Assignor) and Spice Properties Co., Inc. (Assignee)
D. Assignment of Lease and Agreement dated November 22, 1971, by and between Spice Properties Co., Inc. (Assignor) and Levitz Furniture Corporation (Assignee)
E. Lease Assignment and Assumption Agreement dated September 30, 1996, by and between Levitz Furniture Corporation (Assignor) and Levitz Furniture Realty Corporation (Assignee)

Woodbridge, 429 Route 1 South, Iselin, NJ 08830-3009

Description of Overlease:

A. Ground Lease dated October 28, 1966, by and between Mario Cellentani and Helen Cellentani (Landlord) and Litwin Properties, Inc. (Tenant)
B. Assignment of Lease by and between Woodbridge Mall No. 2, Inc. (formerly known as Litwin Properties, Inc.), as assignor, and Carthay Realty Corp., as assignee
C. Assignment of Lease dated June 29, 1973, by and between Carthay Realty Corp., as assignor, and Mann Theatres Corporation of California, as assignee
D. Acceptance of Assignment dated July 1, 1973, by Mann Theatres Corporation

E. Assignment of Lease dated February 1, 1980, by and between Theatres Corporation of California, as assignor, to Levitz Furniture Corporation of the Eastern Region, Inc., as assignee

Langhorne, 1661 East Lincoln Highway, Langhorne, PA 19047-3096

Description of Overlease:

A. Lease dated May 1, 1973, by and between Quint Leasing Company (Lessor) and Levitz Furniture Corporation (Lessee)
B. Letter dated October 9, 1992, by Levitz Furniture Corporation electing to extend the term of the Lease until June 30, 2003
C. Letter dated November 21, 2002, from Tenant to Landlord electing to extend the term of the Lease for an additional 5-year term.

Sacramento, 4741 Watt Avenue, North Highlands, CA 95660-5515

Description of Overlease:

A. Agreement of Lease dated as of March 9, 1970, by and between A&A Key Builders Supply, Inc. and B&B Enterprises, Inc. (Lessor) and Levitz Furniture Co. of Santa Clara, Inc. (Lessee)
B. Resolution dated May 26, 1970, amending the Articles of Incorporation for Levitz Furniture Company of Santa Clara to read, Levitz Furniture Company of Northern California, Inc.
C. Resolution dated March 21, 1973, amending the Articles of Incorporation of Levitz Furniture Company of Northern California, Inc. to read, Levitz Furniture Company of the Pacific, Inc.
D. Letter dated April 27, 1994, by Levitz Furniture Corporation exercising its first option to extend the Lease from September 1, 1995, to August 31, 2005
E. Option to Purchase dated as of March 9, 1970, by and between A&A Key Builders Supply, Inc. and B&B Enterprises, Inc. (Lessor) and Levitz Furniture Co. of Santa Clara, Inc. (Lessee)
F. Letter dated May 14, 2004, exercising second option to extend the Lease from September 1, 2005, to August 31, 2010.

Brea (Homelife), 2335 E. Imperial Highway, Brea, CA 92821 (Store No. 4189)

Description of Overlease:

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

Deptford (Homelife), 1561 Almonesson Road, Deptford, NJ 08096 (Store No. 4334)

Description of Overlease:

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

Downingtown (Homelife), 955 East Lancaster Avenue, Downingtown, PA 19335 (Store No. 4403)

Description of Overlease:

A. Lease Agreement dated December 23, 1999, by and between B&S Pike Associates, L.P., as landlord, and Homelife, as tenant
B. Assignment and Assumption of Lease Agreement dated January 25, 2002, between Homelife and HL Downingtown, L.P.

Hayward (Homelife), 680 W. Winton Road, Hayward, CA 94545 (Store No. 4349)

Description of Overlease:

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

The Court of Oxford Valley (Homelife), 110 Commerce Boulevard, Oxford Valley, PA 19030 (Store No. 4065)

Description of Overlease:

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

D. Assignment and Assumption of Leases dated February 1, 1999, between Sears and Homelife

E. Assignment and Assumption of Lease Agreement dated February 15, 2002, between Homelife and HL Fairless Hills, LP

San Jose (Homelife), 5353 Almaden Expressway, Suite 5C, San Jose, CA 95118 (Store No. 4019)

Description of Overlease:

A. Sublease dated February 1, 1999, by and between Sears, as sublandlord, and Homelife, as subtenant.

B. Assignment and Assumption of Sublease Agreement dated _____ __, 2002, between Homelife and HL San Jose, L.L.C.

Scottsdale (Homelife), 9130 E. Indian Bend Road, Scottsdale, AZ 85250 (Store No. 4497)

Description of Overlease:

A. Lease dated February 11, 1991, by and between Pima Grande Development, as landlord, and Sears, as tenant

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

C. Lease Supplement dated November 7, 1991, between Pima Grande Development and Sears

D. First Amendment to Lease dated June 6, 1997, between Pima Grande Development and Sears

E. Assignment and Assumption of Leases dated February 1, 1999, between Sears and Homelife

F. Assignment and Assumption of Lease Agreement dated March 7, 2002, between Homelife and HL Scottsdale, L.L.C.

Torrance (Homelife), 19800 Hawthorne Boulevard, Suite 280, Torrance CA 90503 (Store No. 4109)

Description of Overlease:

A. Lease dated May 3, 1996, by and between Gateway Pioneer, Inc. No. 1, as landlord, and Sears, as tenant

B. Lease Supplement dated January 14, 1997, between Gateway Pioneer, Inc. No. 1 and Sears

C. Assignment and Assumption of Leases dated February 1, 1999, between Sears and Homelife

D. Assignment and Assumption of Lease Agreement dated February 15, 2002, between Homelife and HL Torrance, L.L.C.

Irvine 1 (Homelife), 13732 Jamboree Road, Tustin, CA 92602 (Store No. 4108)

Description of Overlease:

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

West Covina (Homelife), 2753 Eastland Center Drive #2000, West Covina, CA 91790 (Store No. 4307)

Description of Overlease:

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

Northridge (Homelife), 9301 Tampa, Avenue, Northridge, CA 91325 (Store No. 4004)

Description of Overlease:

Lease dated February 1, 2002, between Crown Glendale Associates, LLC (assignee of Sears) and HL Northridge, L.L.C.

Glendale (Homelife), 314 N. Central Avenue, Glendale, CA 91203 (Store No. 4398)

Description of Overlease:

Lease dated February 1, 2002, between Crown Northridge Associates, LLC (assignee of Sears) and HL Glendale, L.L.C.

EXHIBIT "H"

MATTERS AFFECTING TITLE TO PROPERTIES

Portland-Johnson, OR:

Traffic Control, Illumination, and Utility Easement

Sign/Slope/Utility & Sidewalk Easement

Grant of Easement for Road and Right of Way Purposes

Lease dated September 24, 2003, as amended, between Levitz SL Portland-Johnson, L.L.C., as landlord, and Lowe's HIW, Inc., as tenant (includes Right of First Refusal (Section 14))

Farmingdale, NY:

Lease dated August 31, 2004, as amended, between Levitz SL Farmingdale, L.L.C., as landlord, and Lowe's Home Centers, Inc., as tenant (includes Right of First Refusal (Section 18))

Willowbrook, NJ:

Sublease dated May 28, 2004, but effective as of June 3, 2002, as amended, between Levitz SL Willowbrook, L.L.C., as landlord, and Futurama Furniture of Fairfield, Inc., as tenant

Northridge, CA:

Option to Lease dated November 15, 2004, between Wal-Mart Real Estate Business Trust and Levitz SL Northridge, L.L.C. (Exhibit B is Ground Lease (includes Right of First Refusal (Section 22))

Oxnard, CA:

Agreement of Sale dated January 5, 2005, between Levitz SL Oxnard, L.L.C., as seller, and Avion Development, LLC, as buyer

EXHIBIT "I"

EXCEPTIONS TO SECTION 3(d)(ii)

None

EXHIBIT "J"

EXCEPTIONS TO 3(d)(v)

St. Paul, MN:

A condemnation proceeding has been commenced with respect to two acres of green space.

Woodbridge, NJ:

Consent Order dated October 10, 2003, entering Final Judgment in Condemnation (Superior Court of New Jersey, Law Division, Middlesex County, Docket no. MID-L-4104-02). Proceeding involved taking of certain land in connection with road expansion.

EXHIBIT "K"

EXCEPTIONS TO 3(d)(vii)

Portland-Johnson, OR:

Lease dated September 24, 2003, as amended, between Levitz SL Portland-Johnson, L.L.C., as landlord, and Lowe's HIW, Inc., as tenant (includes Right of First Refusal (Section 14))

Farmingdale, NY:

Lease dated August 31, 2004, as amended, between Levitz SL Farmingdale, L.L.C., as landlord, and Lowe's Home Centers, Inc., as tenant (includes Right of First Refusal (Section 18))

Northridge, CA:

Option to Lease dated November 15, 2004, between Wal-Mart Real Estate Business Trust and Levitz SL Northridge, L.L.C. (Exhibit B is Ground Lease (includes Right of First Refusal (Section 22))

Oxnard, CA:

Agreement of Sale dated January 5, 2005, between Levitz SL Oxnard, L.L.C., as seller, and Avion Development, LLC, as buyer

EXHIBIT "L"

LIST OF MATERIAL CONTRACTS

Oxnard, CA:

Broker's Sale Commission Agreement with CB Richard Ellis - $600,000 on $15,000,000 Minimum Sale Price plus Bonus Commission on Ultimate Purchase Price

Sale Commission to Klaff Realty, LP - .5% on $15,000,000 Minimum Sale Price plus Bonus Payment

Farmingdale, NY:

Leasing Commission to Klaff Realty, LP - $360,458

Northridge, CA:

Broker's Leasing Commission Agreement with CB Richard Ellis - $437,500, includes commission to Sam Rothbardt

Leasing Commission to G Limited - $300,000

Leasing Commission to Klaff Realty, LP - $188,000

EXHIBIT "M"

LIST OF CONTESTED TAXES

None

EXHIBIT "N"

EXCEPTIONS TO SECTION 3(j)(i)

None

EXHIBIT "O"

EXCEPTIONS TO SECTION 3(k)

Willowbrook, NJ:

Letter dated January 21, 2005, from Township of Fairfield re: Compliance Procedures to finalize open building permits for Levitz and Futurama

EXHIBIT "P-1"

LIST OF LEASES

Unitary Lease:

Unitary Lease dated June 8, 1999, as amended by (i) the First Amendment to Unitary Lease dated October 8, 1999; (ii) the Second Amendment to Unitary Lease dated December 23, 1999; (iii) the Third Amendment to Unitary Lease dated December 29, 1999; (iv) the Fourth Amendment to Unitary Lease dated January 3, 2001; (v) the Fifth Amendment to Unitary Lease dated March 8, 2001; (vi) the Sixth Amendment to Unitary Lease dated May 2, 2001; (vii) the Seventh Amendment to Unitary Lease dated December 13, 2001; (viii) the Eighth Amendment to Unitary Lease dated April 3, 2002; (ix) the Ninth Amendment to Unitary Lease dated April 19, 2002; (x) the Tenth Amendment to Unitary Lease dated May 31, 2002; (xi) the Eleventh Amendment to Unitary Lease dated February 12, 2003; (xii) the Twelfth Amendment to Unitary Lease dated May 23, 2003; (xiii) the Thirteenth Amendment to Unitary Lease dated August 29, 2003; (xiv) the Fourteenth Amendment to Unitary Lease dated May 13, 2004; (xv) the Fifteenth Amendment to Unitary Lease dated May 21, 2004; (xvi) the Sixteenth Amendment to Unitary Lease dated October 28, 2004; that certain Agreement dated as of December 13, 2001, between Klaff Realty, LP, on behalf of Landlord, and the Companies, together with various subsidiaries and affiliates of Companies; and (xvii) that certain Agreement dated as of November 12, 2004, among Landlord, KLA Breuners, LLC and Companies.

Portland-Johnson, OR:

Lease dated September 24, 2003, as amended, between Levitz SL Portland-Johnson, L.L.C., as landlord, and Lowe's HIW, Inc., as tenant

Farmingdale, NY:

Lease dated August 31, 2004, as amended, between Levitz SL Farmingdale, L.L.C., as landlord, and Lowe's Home Centers, Inc., as tenant

Willowbrook, NJ:

Sublease dated May 28, 2004, but effective as of June 3, 2002, as amended, between Levitz SL Willowbrook, L.L.C., as landlord, and Futurama Furniture of Fairfield, Inc., as tenant

EXHIBIT "P-2"

EXCEPTIONS TO SECTION 3(l)

Farmingdale, NY:

Leasing Commission to Klaff Realty, LP - $360,458

EXHIBIT "Q-1"

LIST OF SUBSIDIARIES AND/OR GENERAL PARTNERS

[See attached Organizational Chart]

EXHIBIT "Q-2"

EXCEPTIONS TO SECTION 3(q)

Pledge Agreement (Membership/Partnership Interests) dated June 21, 2002, by Levitz SL, L.L.C. to Greenwich Capital Financial Products, Inc.

Pledge Agreement (Distributions) dated June 21, 2002, by Levitz SL, L.L.C. to Greenwich Capital Financial Products, Inc.

Langhorne GP Pledge Agreement dated June 21, 2002, by Levitz SL-GP, L.L.C. to Greenwwich Capital Financial Products, Inc.

Assignment of Membership Interest dated June 21, 2002, by Levitz SL, L.L.C. (executed in blank)

Assignment of Membership Interest dated June 21, 2002, by Levitz SL, L.L.C. (executed in blank)

Assignment of Partnership Interest by Levitz SL, L.L.C. (executed in blank)

Assignment of Partnership Interest by Levitz SL-GP, L.L.C. (executed in blank)

EXHIBIT "Q-3"

EXCEPTIONS TO SECTION 3(q)

None

Exhibit 10.51

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(continued)

AGREEMENT OF CONTRIBUTION

BY AND AMONG

ACADIA REALTY LIMITED PARTNERSHIP,
ACADIA REALTY TRUST,

KLAFF REALTY, LP

AND

KLAFF REALTY, LIMITED

FEBRUARY 15, 2005

AGREEMENT OF CONTRIBUTION

THIS AGREEMENT OF CONTRIBUTION (the "Agreement") is entered into as of February 15, 2005 by and among Acadia Realty Limited Partnership, a Delaware limited partnership ("Acadia"), Acadia Realty Trust, a Maryland real estate investment trust (the "REIT"), Klaff Realty, LP, a Delaware limited partnership, and Klaff Realty, Limited, an Illinois corporation (each a "Contributor," and collectively, the "Contributors").

RECITALS:

A. The Contributors are engaged in the retail management services business (the "Retail Services Business") and desire to become limited partners in Acadia by contributing to Acadia assets, including goodwill, related to the Retail Services Business, as a going concern (the "Contributed Property"), and Acadia has agreed to admit the Contributors as limited partners.

B. Acadia and Contributors desire to enter into the Agreement to set forth certain additional terms and conditions upon which Contributors will transfer the Contributed Property to Acadia.

ARTICLE I

CONTRIBUTION OF PROPERTY

I.1. CONTRIBUTION AND ACQUISITION OF CONTRIBUTED PROPERTY

Subject to the terms and conditions hereof, Contributors agree to contribute to Acadia, and Acadia agrees to acquire and accept from Contributors, all of Contributors' right, title and interest in and to the Contributed Property in exchange for common units of limited partnership interest in Acadia with rights, preferences and privileges as set forth in the partnership agreement of Acadia (the "Units") (the foregoing, together with all other transactions contemplated by this Agreement being referred to herein as the "Contribution"). The Contributors have provided, and Acadia acknowledges receipt of, the Contributed Property as of the Closing Date. The Contribution shall be consummated, as set forth in Article II hereof, in a transaction intended to qualify for nonrecognition of gain to Contributors pursuant to Section 721 of the Internal Revenue Code of 1986, as amended (the "Code").

I.2. CLOSING

The closing of the transactions contemplated by this Agreement (the "Closing") shall be deemed to have occurred on February 15, 2005 (the "Closing Date") at the offices of Acadia, upon satisfaction or waiver of the conditions set forth in Article VI hereof.

I.3. CONTRIBUTOR REPRESENTATIVE

The Contributors hereby appoint Hersch M. Klaff as their representative in connection with this Agreement (the "Contributor Representative") and with respect to any

decisions to be made by Contributors under this Agreement, Acadia and the REIT may rely exclusively on instructions from the Contributor Representative.

ARTICLE II

EXCHANGE AMOUNT

II.1. EXCHANGE AMOUNT

(a) Units Delivered at Closing. In exchange for the contribution of the Contributed Property, the Contributors shall receive in the aggregate, at the Closing, 250,000 Units. Each Contributor shall be entitled to receive the number of Units set forth in Schedule 1 hereto.

(b) Distribution of Units. At the Closing, Acadia shall issue the Units to the Contributors in accordance with written instructions provided to Acadia by the Contributor Representative at least two business days prior to the Closing.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTORS

Contributors jointly and severally represent and warrant to Acadia as follows:

III.1. ORGANIZATION AND STANDING

Each Contributor is a limited partnership, corporation or a limited liability company, duly formed, validly existing and in good standing under the laws of its jurisdiction of organization and is duly qualified to do business in each jurisdiction where the conduct of its business requires qualification. Each Contributor has the full and unrestricted power and authority to own, operate and lease its assets, to carry on its business as currently conducted, to execute and deliver this Agreement, and each other agreement, instrument or document relating hereto or contemplated hereby or thereby (the "Other Agreements") to which it is a party and to carry out the transactions contemplated hereby or thereby.

III.2. AUTHORIZATION; NO CONFLICTS

The execution and delivery of this Agreement and the Other Agreements by each Contributor and the performance by each Contributor of its covenants and agreements under this Agreement and the Other Agreements have been, or at Closing will have been, duly authorized by all necessary action on the part of such Contributor. The execution, delivery and performance by each Contributor of this Agreement and each Other Agreement to which such Contributor is a party, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by such Contributor of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with, or violate any provision of the organization documents of any Contributor; (b) conflict with, or violate any provision of, any statute, law, ordinance, regulation, rule, order, writ or injunction having applicability to any Contributor, any of its assets or the Contributed Property; (c) conflict with, result in any breach of, or constitute a

default under the Contributed Property; (d) result in or require the creation or imposition of or result in the acceleration of any indebtedness or of any encumbrance of any nature upon, or with respect to, the Contributed Property; except (in the case of clauses (b), (c) and (d) above) for such conflicts, violations, breaches or defaults as will not have a material adverse effect on the Contributed Property or the business or financial condition of any Contributor or the consummation of this transaction.

III.3. BINDING OBLIGATIONS

This Agreement and each Other Agreement executed and delivered by each Contributor on or prior to the date hereof constitutes a valid and binding obligation of such Contributor, enforceable in accordance with its terms; and each Other Agreement to be executed by each Contributor pursuant hereto or thereto, when executed and delivered in accordance with the provisions hereof or thereof, shall be a valid and binding obligation of such Contributor, enforceable in accordance with its terms.

III.4. NO LITIGATION

There are no actions, suits, claims, arbitrations, proceedings or investigations pending or, to the knowledge of any Contributor, threatened against, affecting or involving the Contributed Property, any Contributor or its businesses or assets, or the transactions contemplated by this Agreement, at law or in equity, or before or by any court, arbitrator or governmental authority, domestic or foreign, that could reasonably be expected to have a material adverse effect on the Contributed Property or the business or financial condition of any Contributor or to challenge or impair the ability of any Contributor to consummate the Contribution.

III.5. CONTRIBUTED PROPERTY

(a) The Contributed Property is wholly owned by the Contributors, free and clear of all liens and encumbrances.

(b) The Contributed Property is in full force and effect and is the legal, valid and binding obligation of each of the parties thereto, enforceable against such parties in accordance with its terms. None of the Contributors is in default, and there exists no condition or act which with the giving of notice or passage of time or otherwise will cause a default with respect to the Contributed Property. Except as otherwise disclosed to Acadia, no Fees under the Contributed Property for any period after the Closing Date shall have been paid prior to the Closing Date. In no event, however, do the Contributors represent, warrant, covenant or guaranty the payment of any Fees to Acadia or the amount of any Fees that Acadia may receive in the future.

III.6. SECURITIES LAW MATTERS

(a) Each Contributor acknowledges that Acadia intends the offer and issuance of the Units to be exempt from registration under the Securities Act and applicable state securities laws by virtue of (i) the status of each Contributor and each equity owner of such Contributor as an Accredited Investor (as defined below), and (ii) Section 4(2) of the Securities

Act of 1933, as amended (the "Securities Act") and/or Regulation D promulgated under Section 4(2) of the Securities Act ("Regulation D"), and that Acadia will rely in part upon the representations and warranties made by each Contributor in this Agreement in making the determination that the offer and issuance of the Units qualify for exemption under Rule 506 of Regulation D as an offer and sale only to Accredited Investors (as defined below).

(b) Each Contributor, each of such Contributor's equity owners and each other person or entity who has a right to vote upon or approve the transactions contemplated hereby or who will receive a distribution of Units pursuant to Section II.1(b) are "accredited investors" as defined in Regulation 501(a) under Regulation D ("Accredited Investors"). Each Contributor has provided to Acadia a true, correct and complete copy of such Contributor's organizational documents.

(c) Each Contributor and each other person or entity who will receive a distribution of Units pursuant to Section II.1(b) will acquire the Units for their own account and not with a view to or for sale in connection with any "distribution" thereof within the meaning of the Securities Act.

(d) Each Contributor and its equity owners have sufficient knowledge and experience in financial, tax and business matters to enable them to evaluate the merits and risks of investment in the Units. Each Contributor and its equity owners have the ability to bear the economic risk of acquiring the Units. Each Contributor acknowledges that (i) the transactions contemplated by this Agreement and the Other Agreements involve complex tax consequences for each Contributor and its equity owners, and each Contributor and its equity owners are relying solely on the advice of their own tax advisors in evaluating such consequences, (ii) neither Acadia nor the REIT has made (or shall be deemed to have made) any representations or warranties as to the tax consequences of such transaction to any Contributor or any of its equity owners, and (iii) references in this Agreement to the intended tax effect of the Contribution and the other matters described herein shall not be deemed to imply any representation by Acadia or the REIT as to a particular tax effect that may be obtained by any Contributor or its equity owners. Each Contributor and its equity owners remain solely responsible for all tax matters relating to each Contributor and its equity owners.

(e) Each Contributor and each other person or entity who will receive a distribution of Units pursuant to Section II.1(b) has been supplied with, or had access to, information to which a reasonable investor would attach significance in making an investment decision to acquire the Units and any other information they have requested. Each Contributor and each other person or entity who will receive a distribution of Units pursuant to Section II.1(b) has had an opportunity to ask questions of and receive information and answers from Acadia and the REIT concerning Acadia, the REIT, the Units, and the common shares of beneficial interest ("Common Shares") into which the Units may be exchanged, and to assess and evaluate any information supplied to them by Acadia or the REIT, and all such questions have been answered and all such information has been provided to their full satisfaction.

(f) Each Contributor and each other person or entity who will receive a distribution of Units pursuant to Section II.1(b) acknowledges that the Units are not registered

under the Securities Act or any state securities laws and cannot be resold without registration thereunder or exemption therefrom.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ACADIA AND THE REIT

A. Acadia Representations. Acadia represents and warrants to Contributors as follows:

IV.1. ORGANIZATION AND STANDING

Acadia is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and has the full and unrestricted partnership power and authority to own, operate and lease its assets and to carry on its business as currently conducted. Acadia is duly qualified to conduct business as a foreign limited partnership and is in good standing in each jurisdiction where the nature of the business conducted by Acadia or the character of the assets owned, leased or otherwise held by it makes any such qualification necessary, except where the failure to be so qualified would not have a material adverse effect upon the business of Acadia as currently conducted.

IV.2. AUTHORIZATION; NO CONFLICTS

The execution, delivery and performance by Acadia of this Agreement and each Other Agreement to which Acadia is a party, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by Acadia of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with, or violate any provisions of, the certificate of limited partnership or agreement of limited partnership of Acadia; (b) conflict with, or violate any provision of, any statute, law, ordinance, regulation, rule, order, writ or injunction having applicability to Acadia or any of its assets; or (c) conflict with, result in any breach of, or constitute a default under any agreement to which Acadia is a party or by which it or any of its assets are bound; except (in the case of clauses (b) and (c) above) for such conflicts, violations, breaches or defaults as will not have a material adverse effect on the business or financial condition of Acadia or the consummation of the Acquisition.

IV.3. BINDING OBLIGATIONS

This Agreement and each Other Agreement executed and delivered by Acadia constitutes a valid and binding obligation of Acadia, enforceable in accordance with its terms; and each Other Agreement to be executed by Acadia pursuant hereto or thereto, when executed and delivered in accordance with the provisions hereof or thereof, shall be a valid and binding obligation of Acadia, enforceable in accordance with its terms.

IV.4. NO LITIGATION

There are no actions, suits, claims, arbitrations, proceedings or investigations pending or, to the knowledge of Acadia, threatened against, affecting or involving Acadia or its business or assets or the transactions contemplated by this Agreement, at law or in equity, or

before or by any court, arbitrator or governmental authority, domestic or foreign, that could reasonably be expected to have a material adverse effect on the business or financial condition of Acadia or challenge or impair the ability of Acadia to consummate the Contribution.

IV.5. THE UNITS

At the Closing, the Units to be issued to Contributors pursuant to Article II hereof will be duly authorized for issuance by Acadia to Contributors and upon issuance in accordance with this Agreement will be validly issued, fully paid and non-assessable

IV.6. NO TAX AUDITS

Acadia is not a party to any pending action, audit or proceeding by any taxing authority for any assessment or collection of any federal, state or local taxes.

IV.7. TAX REPORTING

Acadia will treat the transfer of the Contributed Property to Acadia for federal income tax purposes as a contribution that qualifies for nonrecognition of gain pursuant to Section 721 of the Code. Acadia, however, makes no representation or warranty that these positions will be respected.

IV.8. CAPITALIZATION

As of September 30, 2004, 29,691,479 common units of limited partnership ("Common OP Units") were issued and outstanding, of which 29,299,224 Common OP Units are held by the REIT and 392,255 Common OP Units are held by the limited partners of Acadia. In addition, 1,580 Series A Preferred Units are issued and outstanding with an aggregate liquidation preference of $1,580,000 and 4,000 Series B Preferred OP Units issued and outstanding with aggregate liquidation preference of $4,000,000 and will rank pari passu with the Series B Preferred Units.

IV.9. GOVERNMENTAL CONSENTS AND APPROVALS

Acadia has obtained each and every consent, approval, permit or order of, and has made each and every filing with, any individual, partnership, corporation, trust or other entity, government agency or political subdivision required to be obtained or made in connection with: (A) its execution, delivery and performance of this Agreement and (B) its consummation of the transactions contemplated hereby.

IV.10. ABSENCE OF CERTAIN CHANGES OR EVENTS; UNDISCLOSED LIABILITIES AND AGREEMENTS

Since September 30, 2004:

(a) there has not been any material adverse change in the financial position or results of operations of Acadia from that reflected in the consolidated financial statements of the REIT as of September 30, 2004, or any material adverse change in the business, assets or

prospects of Acadia (including the imposition of any material adverse regulatory requirements or the loss of any material permits, licenses or franchises).

(b) there has not been any material damage, destruction or other casualty loss with respect to property owned or leased by Acadia not covered by insurance.

(c) Acadia has not conducted its business otherwise than in the ordinary course.

B. REIT Representations. The REIT hereby represents and warrants to the Contributors as follows:

(i) Organization, Good Standing, Corporate Power and Authorization. The REIT is a real estate investment trust duly organized, validly existing and in good standing under the laws of the State of Maryland and has full right, power and authority to enter into this Agreement and to assume and perform all of its obligations. The REIT is duly qualified to conduct business as a foreign real estate investment trust and is in good standing in each jurisdiction where the nature of the business conducted by the REIT or the character of the assets owned, leased or otherwise held by it makes any such qualification necessary, except where the failure to be so qualified would not have a material adverse effect upon the business of the REIT as currently conducted. The execution and delivery of this Agreement and the performance by the REIT of its obligations under this Agreement will require no further action, consent or approval of the REIT's shareholders or trustees, or of any other individuals or entities in order to constitute this Agreement as a binding and enforceable obligation of the REIT.

(ii) Non-contravention. The entry into, performance of, or compliance with this Agreement by the REIT has not resulted, and will not result, in any violation of, default under, or acceleration of any provision of the bylaws or declaration of trust of the REIT or any provision of, or result in the acceleration of or entitle any party to accelerate (whether after the filing of notice or lapse of time or both) any obligation under, or result in the creation or imposition of any lien, charge, pledge, security interest or other encumbrance upon any of the property of the REIT pursuant to any provision of any mortgage, lien, lease, agreement, license or instrument, or violate any law, regulation, order, arbitration award, judgment or decree to which the REIT is a party or by which it or its property is bound or violate or conflict with any other material restriction of any kind or character to which the REIT is subject.

(iii) Capitalization and Due Authorization. As of September 30, 2004, the authorized shares of beneficial interest of all classes of the REIT consisted of 100,000,000 shares of beneficial interest, par value $.001 per share, all of such shares are initially classified as "Common Shares" and the issued and outstanding Common Shares of the REIT consisted of 29,299,224 Common Shares.

(iv) Common Shares. As of the Closing, the Common Shares issuable upon conversion of the Units will have been duly and validly authorized by the REIT and will have been duly reserved for issuance upon such conversion. The Common Shares

issuable upon conversion of such Common OP Units, when issued upon such conversion in accordance with their terms, will be validly issued, fully paid and nonassessable.

(v) Governmental Consents and Approvals. The REIT has obtained each and every consent, approval, permit or order of, and has made each and every filing with, any individual, partnership, corporation, trust or other entity, government agency or political subdivision required to be obtained or made in connection with: (A) its execution, delivery and performance of this Agreement and (B) its consummation of the transactions contemplated hereby.

(vi) Binding Obligations. This Agreement and each Other Agreement executed and delivered by the REIT constitutes a valid and binding obligation of the REIT, enforceable in accordance with its terms; and each Other Agreement to be executed by the REIT pursuant hereto or thereto, when executed and delivered in accordance with the provisions hereof or thereof, shall be a valid and binding obligation of the REIT, enforceable in accordance with its terms.

(vii) SEC Filings. The REIT has filed all forms, reports, schedules, proxy materials, registration statements and related prospectuses and supplements and other documents required to be filed by the REIT with the SEC pursuant to the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act") through the date hereof (collectively, the "REIT SEC Documents") and will cause to be delivered to Sellers copies of such additional documents as may be filed with the SEC by the REIT between the date hereof and the Closing Date. The REIT SEC Documents were, and those additional documents filed between the date hereof and the Closing will be, prepared and filed in all material respects in compliance with the rules and regulations promulgated by the SEC, and do not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(viii) Financial Statements. The consolidated financial statements included in the SEC Documents have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the period involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q and present fairly (subject in the case of the unaudited statements, to normal, recurring year-end audit adjustments) the consolidated financial position of Acadia or the REIT, as applicable, at the dates thereof and the consolidated results of operations and cash flows for the periods then ended.

(ix) Absence of Certain Changes or Events. Since September 30, 2004 there has not been:

(a) any material adverse change in the financial condition or results of operations of the REIT from that reflected in the financial statements as of September 30, 2004 included in the REIT SEC Documents or any material adverse change in the business, assets or prospects of the REIT (including the

imposition of any material adverse regulatory requirements or the loss of any material permits, licenses or franchises);

(b) there has not been any material damage, destruction or other casualty loss with respect to property owned or leased by the REIT not covered by insurance; and

(c) the REIT has not conducted its business otherwise than in the ordinary course.

ARTICLE V

COVENANTS

V.1. CONTRIBUTORS COVENANTS

(a) The Contributors shall cooperate fully in providing any documentation or information reasonably requested by Acadia in connection with this transaction.

(b) Except as set forth below or in the Registration Rights Agreement (as defined below), the Contributors shall (i) not convert any Units into Common Shares for a period of five (5) years after the Closing Date; and (ii) not transfer the ownership of any of the Units held by a Contributor to another person or entity for a period of five (5) years after the Closing.

Notwithstanding the foregoing or anything else to the contrary contained herein or in the Registration Rights Agreement, the parties to this Agreement agree that (i) in the event Kenneth F. Bernstein ceases to be the chief executive officer of either the REIT or Acadia, or (ii) upon the occurrence of the obligation of Acadia or the REIT to give notice of any event as set forth in Sections V.2(b) below, the Contributors or their Permitted Transferees (as defined in the Registration Rights Agreement) shall immediately be entitled to convert Units into Common Shares and/or sell or otherwise transfer the ownership of any Units held by a Contributor or Permitted Transferee without any restriction under or violation of this Agreement or the Registration Rights Agreement. In addition, if a Registration Statement, as defined in the Registration Rights Agreement, allowing for the immediate resale at such time, or from time to time, of the Common Shares, into which the Units would be convertible, has not been declared effective by the Securities and Exchange Commission on or before July 15, 2005, or ceases to be effective at any time thereafter, then, at the Contributors' and/or their Permitted Transferees' option, all, but not less than all, of the Units shall be redeemable by the Contributors and/or their Permitted Transferees, at any time by written notice to Acadia (with such date being referred to as the "Redemption Date") and the price equal to the greater of (i) sixteen dollars ($16.00) per Unit (subject to adjustment for stock splits, stock dividends or other similar equitable adjustments), plus all accrued but unpaid dividends or distributions on such Units, or (ii) the actual market value of Common Shares into which Units are convertible as of the Redemption Date.

V.2. ACADIA COVENANTS

(a) Acadia agrees, in providing its management services in connection with the Contributed Property, to take reasonable direction from Klaff Realty, LP as the representative of the owners and managers of the properties subject to the Contributed Property.

(b) If at any time Acadia and/or REIT proposes to any of its equity holders:

(i) to effect any capital reorganization or reclassification of capital securities of the REIT or Acadia;

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

(iii) to effect the liquidation, dissolution or winding up of the REIT or Acadia,

then, in any one or more of the foregoing cases, Acadia and the REIT shall give at least thirty (30) days' prior written notice to the Contributors of the date when the same shall take place.

V.3. SURVIVAL.

The covenants set forth in Article V.1 and V.2 shall survive the Closing in accordance with their terms.

ARTICLE VI

CONDITIONS PRECEDENT TO THE CLOSING

VI.1. CONDITIONS TO OBLIGATIONS OF CONTRIBUTORS

The obligation of Contributors to consummate the Contribution is subject to the fulfillment, at or prior to the Closing, of each of the following conditions, and failure to satisfy any such condition shall excuse and discharge all obligations of Contributors to carry out the provisions of this Agreement unless such failure is waived in writing by Contributors:

(a) Representations and Warranties. The representations and warranties made by Acadia and the REIT in Article IV hereof and the statements contained in any document furnished by Acadia or the REIT in connection with the Closing pursuant to this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes therein contemplated by this Agreement or any Other Agreement.

(b) Legal Proceedings. No action or proceeding by or before any governmental authority shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which is reasonably expected to restrain, prohibit or invalidate

the transactions contemplated by this Agreement, other than an action or proceeding instituted or threatened by any Contributor.

(c) Documents at Closing. All documents required to be furnished to Contributors hereunder prior to or at the Closing shall have been so furnished.

VI.2. CONDITIONS TO OBLIGATIONS OF ACADIA

The obligation of Acadia to consummate the Contribution is subject to the fulfillment, at or prior to the Closing, of each of the following conditions, and failure to satisfy any such condition shall excuse and discharge all obligations of Acadia to carry out the provisions of this Agreement unless such failure is waived in writing by Acadia:

(a) Representations and Warranties. The representations and warranties made by Contributors in Article III of this Agreement and the statements contained in any document furnished by Contributors or its equity owners in connection with the Closing pursuant to this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes therein contemplated by this Agreement or any Other Agreement.

(b) Legal Proceedings. No action or proceeding by or before any governmental authority shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which is reasonably expected to restrain, prohibit or invalidate the transactions contemplated by this Agreement other than an action or proceeding instituted or threatened by Acadia.

(c) Documents at Closing. All documents required to be furnished to Acadia hereunder prior to or at the Closing shall have been so furnished.

ARTICLE VII

DELIVERIES

The Closing shall occur simultaneously with the delivery of the following documents:

A. The Contributors shall deliver:

(a) Authority Documents. Evidence satisfactory to Acadia that the persons executing the closing documents on behalf of the Contributors have full right, power and authority to do so, and the following documentation: (i) Certified copies of Klaff Realty, LP and Klaff Realty, Limited organizational documents which are true and correct, unamended, and continuing, and of the incumbency of its officers, (ii) Certificates of Existence and Good Standing from the Secretary of State of Delaware and the Secretary of State of Illinois, and (iii) Opinion letter of counsel to Klaff Realty, LP and Klaff Realty, Limited substantially in the form attached hereto as Exhibit G as to the following: due authorization and authority of Klaff Realty, LP and Klaff Realty, Limited to enter into this Agreement and perform their obligations

hereunder; and noncontravention of the transactions contemplated by this Agreement with Contributors' organizational documents.

(b) Units Documents. The documents required in connection with the issuance of the Units, including signature pages to the Partnership Agreement and the Registration Rights Agreement executed by each Contributor. Each Contributor shall execute and deliver any other documents as may be required under applicable federal or state securities laws, including a reiteration of the representations and covenants set forth in Article III hereof.

(c) Investor Questionnaires. Investor Questionnaires in the form attached hereto as Exhibit B.

(d) Assignments. Executed Assignments of Contributed Property in the form of Exhibit E.

(e) Certifications. Certificates from each of the Contributors certifying as to the continuing accuracy of the representations and warranties made by such party.

(f) Miscellaneous. Such other instruments as are reasonably requested by Acadia.

B. Acadia's Deliveries. At the Closing, Acadia shall deliver:

(a) Registration Rights Agreement. The Registration Rights and Lock-up Agreement, substantially in the form attached hereto as Exhibit A, executed by Acadia and Contributors (the "Registration Rights Agreement");

(b) Certifications. Certificates of Acadia and the REIT certifying as to continued accuracy of the representations and warranties made by such party herein, executed by an officer or other authorized signatory of such party;

(c) Units. Certificates representing the Units in the form of Exhibit C;

(d) Authority Documents. Evidence reasonably satisfactory to the Contributors that the person or persons executing the closing documents on behalf of Acadia and the REIT has full right, power and authority to do so;

(e) Legal Opinion. An Opinion of Acadia and REIT's general counsel, substantially in the form attached hereto as Exhibit F;

(f) Miscellaneous. Such other documents as reasonably requested by the Contributors.

ARTICLE VIII

SURVIVAL; INDEMNIFICATION

VIII.1. SURVIVAL

All representations, warranties, covenants, indemnities and other agreements of the parties hereto made in this Agreement or in any document furnished pursuant hereto shall not be extinguished by the Closing, but shall survive the Closing, as specified in this Section VIII.1. All representations and warranties of the parties hereto made in this Agreement or in any document furnished pursuant hereto shall survive for a one (1) year period following the Closing and shall be extinguished from and after the first anniversary date of the Closing. All covenants of the parties hereto made in this Agreement shall survive for the five (5) year period following the Closing and shall be extinguished from and after the fifth anniversary date of the Closing. No investigation, audit or inspection made by or on behalf of any party hereto shall affect the survival of the representations, warranties, covenants, indemnities and other agreements of the parties hereto. All representations and warranties of the parties hereto made in this Agreement or in any document delivered pursuant hereto shall also be deemed made on and as of the Closing Date.

VIII.2. AGREEMENT OF CONTRIBUTORS TO INDEMNIFY

Subject to the conditions and provisions of this Article VIII, Contributors hereby jointly and severally agree to indemnify, defend and hold harmless Acadia and its subsidiaries and affiliates (including, without limitation, the REIT) and each of their respective officers, directors, trustees, partners, members, employees, successors and assigns (collectively, the "Acadia Indemnified Persons") from and against and in respect of all demands, claims, actions or causes of action, assessments, losses, damages (including, without limitation, diminution in value), liabilities, costs and expenses, including, without limitation, interest, penalties and reasonable attorneys' fees and disbursements (the "Claims"), asserted against, resulting to, imposed upon or incurred by the Acadia Indemnified Persons, directly or indirectly, by reason of or resulting from (i) any breach of any representation or warranty in any material respect made by Contributors in this Agreement or in any document furnished by or on behalf of Contributors pursuant to this Agreement or (ii) the Contributed Property which accrued prior to the Closing Date.

VIII.3. AGREEMENT OF ACADIA TO INDEMNIFY

Subject to the conditions and provisions of this Article VIII, Acadia hereby agrees to indemnify, defend and hold harmless each Contributor and its subsidiaries and affiliates and each of their respective officers, directors, trustees, partners, members, employees, successors and assigns (collectively, the "Contributor Indemnified Persons"), from and against and in respect of all Claims asserted against, resulting to, imposed upon or incurred by the Contributor Indemnified Persons, directly or indirectly, by reason of or resulting from (i) any breach of any representation or warranty in any material respect made by Acadia in this Agreement or in any document furnished by or on behalf of Acadia pursuant to this Agreement, or (ii) the Contributed

Property which accrued on or after the Closing Date, except to the extent that such claims directly arise from actions of the Contributors prior to the closing date.

VIII.4. LIMITATION OF LIABILITY.

Notwithstanding the foregoing or anything else to the contrary contained herein, subject to the provisions set forth in this Section VIII.4., in no event shall Hersch M. Klaff, individually, have any liability to Acadia Indemnified Persons in excess of $1,000,000, or for any provision of this Agreement. Notwithstanding the foregoing or anything else to the contrary contained herein, in no event shall Hersch M. Klaff, individually, have any monetary liability to Acadia Indemnified Persons at any time while a Contributor is the record owner of the Units. In addition, notwithstanding anything else to the contrary contained herein, in no event shall Acadia or any Acadia Indemnified Person have any right of offset or any other right to limit, in any manner whatsoever, any of the Contributors' (or their respective assignees' or successors') rights with respect to Units, including without limitation any rights under the Registration Rights Agreement. Furthermore, notwithstanding anything else to the contrary contained herein, in no event shall either (a) the Contributors, or (b) the Contributors and Hersch M. Klaff, collectively, have any liability, including Acadia's costs and expenses, to Acadia Indemnified Persons, in the aggregate, in excess of the lesser of (i) the actual market value of Units then owned by the Contributors as of the date of any Claim, or (ii) the amount equal to: (A) $4,000,000, from the Closing Date until February 14, 2006, (B) $3,200,000, from February 15, 2006 until February 14, 2007, (C) $2,400,000, from February 15, 2007 until February 14, 2008, (D) $1,600,000, from February 15, 2008 until February 14, 2009, or (E) $800,000, from February 15, 2009 until February 14, 2010. Furthermore, in no event shall any party hereto be liable for any Claims for any special, indirect, incidental, exemplary, consequential or punitive damages.

VIII.5. CONDITIONS OF INDEMNIFICATION

The obligations and liabilities of Contributors and Acadia hereunder with respect to their respective indemnities pursuant to this Article VIII resulting from any Claim shall be subject to the following terms and conditions:

(a) The indemnified party shall give prompt written notice to the indemnifying party of any Claim which is asserted against, resulting to, imposed upon or incurred by such indemnified party and which may give rise to liability of the indemnifying party pursuant to this Article VIII, stating (to the extent known or reasonably anticipated) the nature and basis of such Claim and the amount thereof.

(b) If the facts pertaining to a Claim arise out of the Claim of any third party, or if there is any Claim against a third party available by virtue of the circumstances of the Claim, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying party and approved by the indemnified party, which approval shall not be unreasonably withheld; provided, however, that the indemnifying party shall not agree to settlement of any such action or proceeding which provides for any relief other than the payment of monetary damages or which could have a material precedential impact or effect on the business or financial condition of the indemnified party without the prior written consent of the indemnified party; and provided,

further, that if the indemnified party reasonably determines that a conflict of interest exists where it is advisable for the indemnified party to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to it which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to assume such defense and the indemnified party shall be entitled to separate counsel at the indemnifying party's expense. If the indemnifying party is not entitled to assume the defense of such action or proceeding as a result of the proviso to the preceding sentence, the indemnifying party's counsel shall be entitled to conduct the indemnifying party's defense and the indemnified party's counsel shall be entitled to conduct the indemnified party's defense, it being understood that both such counsel will cooperate with each other to conduct the defense of such action or proceeding as efficiently as possible. If the indemnifying party is not so entitled to assume the defense of such action or does not assume such defense, after having received the notice referred to in subparagraph (a) above, the indemnifying party will pay the reasonable fees and expenses of counsel for the indemnified party. In such event, however, the indemnifying party will not be liable for any settlement effected without the written consent of the indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this paragraph, the indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified party incurred thereafter in connection with such action or proceeding. Whether or not the indemnifying party chooses to so defend or prosecute such Claim, all the parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith. The indemnifying party shall be subrogated to all rights and remedies of the indemnified party.

ARTICLE IX

INTENTIONALLY OMITTED

ARTICLE X

CONFIDENTIALITY; TAX MATTERS

X.1. CONFIDENTIALITY

(a) Information. Before the Closing or if the Closing does not occur, all information provided by a party hereto (the "Disclosing Party") to another party hereto (the "Receiving Party") in connection with the transactions contemplated by this Agreement shall be kept strictly confidential by such Receiving Party and shall not, without the prior consent of the Disclosing Party, be disclosed by the Receiving Party or used for any purpose other than evaluating such transactions. The Receiving Party agrees that such information shall only be transmitted to such Receiving Party's partners, officers, directors, trustees, employees, attorneys, accountants, contractors, consultants, advisors and agents who need to know such information for purposes of evaluating such transactions and who agree to be bound by these confidentiality provisions, and each Receiving Party agrees that in the event the Closing does not take place for

any reason, the Receiving Party shall return all such information to the Disclosing Party. The provisions of this section shall not apply to any information which is a matter of public record or lawfully obtainable from other sources and shall not prevent either party from complying with applicable laws, rules, regulations and court orders, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements. Notwithstanding the foregoing, the parties may disclose the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind related to such tax treatment and tax structure.

(b) Public Notices. Between the date hereof and for a period ending one (1) year after the Closing Date, no party hereto shall release or cause or permit to be released any press notices or advertising promotion or other publicity relating to this transaction without first giving reasonable notice to, and consulting with, each other party and, as required herein, obtaining the written consent of each other party. No provisions in this Section XI.1(b) shall preclude a party from discussing the substance or any relevant details of such transactions with any of its attorneys, accountants, professional consultants, lenders, partners, affiliates, investors, or any prospective lender, partner or investor, as the case may be, or prevent a party hereto, from complying with laws, rules, regulations and court orders, including without limitation, governmental regulatory, stock exchange, disclosure, tax and reporting requirements (including, in the case of Acadia and the REIT, disclosure by the REIT of information that it determines is necessary or appropriate in accordance with its obligations as a public company under rules of the New York Stock Exchange, the Securities and Exchange Commission or other regulatory body) or making an announcement or making any communication to its shareholders in accordance with its corporate policy.

X.2. NO REPRESENTATION WITH REGARD TO TAX TREATMENT

Notwithstanding any provision of this Agreement, no party hereto makes any representation regarding (and shall have no liability with respect to) the tax consequences to any other party hereto or to any of its direct or indirect partners of the transactions contemplated herein or in any Other Agreements.

ARTICLE XI

MISCELLANEOUS

XI.1. ADDITIONAL ACTIONS AND DOCUMENTS

Each of the parties hereto hereby agrees to take or cause to be taken such further actions, to execute, deliver and file or cause to be executed, delivered and filed such further documents, and will obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

XI.2. EXPENSES

Each party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereunder, including all legal and accounting fees and disbursements. The provisions of this Section XI.2 shall survive any termination of this Agreement.

XI.3. ASSIGNMENT

No party hereto shall assign its rights and/or obligations under this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other parties hereto. Notwithstanding anything to the contrary in the preceding sentence, at any time after the Closing Date, Acadia may assign its rights and/or obligations under this Agreement to an affiliate, or any other person or entity in connection with a merger, consolidation, sale or contribution of all or substantially all of its or the REIT's assets, or other similar corporate transaction; provided, that no assignment pursuant to the preceding clause shall release the assigning party from its respective liabilities and obligations hereunder.

XI.4. ENTIRE AGREEMENT; AMENDMENT

This Agreement, including the Exhibits and other documents referred to herein or furnished pursuant hereto, constitute the entire agreement among the parties hereto with respect to the transactions contemplated herein, and supersede all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein; provided, that nothing in this Section XI.4 shall have any effect on the Other Agreements. No amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed and delivered by the party against whom enforcement of the amendment, modification, or discharge is sought.

XI.5. WAIVER

No delay or failure on the part of any party hereto in exercising any right, power or privilege under this Agreement or under any other documents furnished in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any other right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and signed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

XI.6. SEVERABILITY

If any part of any provision of this Agreement or any other agreement or document given pursuant to or in connection with this Agreement shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Agreement.

XI.7. GOVERNING LAW

This Agreement, the rights and obligations of the parties hereto, and any claim or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York (excluding the choice of law rules thereof).

XI.8. NOTICES

All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, sent by overnight courier or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by facsimile, telegram, telecopy or telex, addressed as follows:

(1) If to any Contributor:

Klaff Realty, LP
Klaff Realty, Limited
122 South Michigan Avenue
Chicago, IL 60603
Attention: Hersch M. Klaff
Telephone: 312-360-3102
Facsimile: 312-360-0606
Email: hklaff@klaff.com

With copies to:

Klaff Realty, LP
Klaff Realty, Limited
122 South Michigan Avenue
Chicago, IL 60603
Attention: Martha Amesbury
Telephone: 312-360-3116
Facsimile: 312-360-0606
Email: mamesbury@klaff.com

Allan J. Reich, Esq.
Seyfarth Shaw LLP
55 E. Monroe Street, Suite 4200
Chicago, IL 60603
Telephone: 312-781-8650
Facsimile: 312-269-8869
Email: areich@seyfarth.com

(2) If to Acadia:

Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, NY 10605
Attention: Joel Braun
Telephone: 914-288-8146
Facsimile: 914-428-3922
Email: jbraun@acadiarealty.com

With a copy to:

Robert Masters, Esq.
1311 Mamaroneck Avenue, Suite 260
White Plains, NY 10605
Telephone: 914-288-8139
Facsimile: 914-428-3646
Email: rmasters@acadiarealty.com

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be hand delivered, sent, mailed, faxed, telecopied or telexed in the manner described above, or which shall be delivered to a telegraph company, shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, the confirmation receipt (with respect to a facsimile), or (with respect to a telecopy or telex) the answerback being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

XI.9. HEADINGS

Section headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

XI.10. EXECUTION IN COUNTERPARTS

To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

XI.11. ATTORNEYS' FEES

Should either party employ attorneys to enforce any of the provisions hereof, the party against whom any final judgment is entered agrees to pay the prevailing party all reasonable costs, charges and expenses, including reasonable attorneys' fees, expended or incurred by the prevailing party in connection therewith.

XI.12. WAIVER OF JURY TRIAL

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE

ACQUISITION AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THE PROVISIONS OF THIS SECTION XI.12 SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Contribution Agreement to be duly executed on their behalf as of the date first above written.

CONTRIBUTORS:

KLAFF REALTY, LP, a Delaware limited partnership

By: Klaff Realty, Limited, General Partner

By:

Name: Hersch M. Klaff
Title: President

KLAFF REALTY, LIMITED, an Illinois corporation

By:

Name: Hersch M. Klaff
Title: President

ACADIA:

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust, General Partner

By:

Name:
Title:

REIT:

ACADIA REALTY TRUST

By:

Name:
Title:

The undersigned hereby joins in the execution of this Agreement to confirm his agreement with the covenants of Article V(b) and (c); which shall survive the Closing.

Hersch M. Klaff

Exhibit 10.51a

REGISTRATION RIGHTS AND LOCK-UP AGREEMENT

THIS REGISTRATION RIGHTS AND LOCK-UP AGREEMENT (this "Agreement"), is made and entered into as of February 15, 2005, by and among Acadia Realty Trust, a Maryland real estate investment trust (the "REIT"), Acadia Realty Limited Partnership, a Delaware limited partnership (the "Partnership"), and the undersigned Klaff Realty, LP, a Delaware limited Partnership ("Klaff"), which, as of February 15, 2005 (the "Closing Date") of the transactions contemplated by the Agreement of Contribution by and among Klaff and Klaff Realty, Limited, the REIT, and the Partnership (the "Contribution Agreement"), are receiving common units of limited partnership interests in the Partnership ("Units"), which are exchangeable for Conversion Shares (as defined below).

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and intending to be legally bound hereby, the REIT, the Partnership and Klaff hereby agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

(a) "Commission" means the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

(b) "Conversion Shares" means the Shares issuable upon exchange of the Units from time to time.

(c) "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Exchange Act, as they each may, from time to time, be in effect.

(d) "Holder(s)" means a holder of Registrable Shares entitled to the rights arising hereunder.

(e) "Participating Holder" means a Holder whose Registrable Shares are included in a Registration Statement.

(f) "Registration Expenses" means the expenses described in Section 4 hereof.

(g) "Registration Statement" means a registration statement filed by the REIT with the Commission for a public offering and sale of equity securities of the REIT (other than a registration statement on Form S-8 or Form S-4, or their successors, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

(h) "Registrable Shares" means (i) the Conversion Shares, (ii) any other Shares issued in respect of Conversion Shares, and (iii) any other Shares issued with respect to the Shares issued in clauses (i) and (ii) (because of share splits, share dividends, reclassifications, recapitalizations, or similar events); provided, however, that Shares which are Registrable Shares shall cease to be Registrable Shares (x) upon any sale pursuant to a Registration Statement, or any other sale or transfer of the Registrable Shares in any manner to any person or entity other than a Permitted Transferee (as defined) or as otherwise expressly provided herein, or (y) in the event that Registrable Shares may be freely sold and/or transferred pursuant to Rule 144(k) under the Securities Act.

(i) "Securities Act" means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Securities Act, as they each may, from time to time, be in effect.

(j) "Shares" means Common Shares of Beneficial Interest of the REIT, par value $.001 per share.

2. Certain Shelf Registration. Within one hundred fifty (150) days from the date of this Agreement, the REIT shall, at its expense, file a shelf Registration Statement pursuant to Rule 415 under the Securities Act to register the Registrable Shares for resale, including for issuance upon conversion or exchange of Units. The REIT shall, at its expense, use commercially reasonable efforts to maintain the effectiveness of such shelf Registration Statement until the earlier of (i) such time as when all of the Registrable Shares have been disposed of or (ii) three years after the conversion or exchange into Shares of all of the Units.

3. Registration Procedures. If and whenever the REIT is required by the provisions of this Agreement to effect the registration of any of the Registrable Shares under the Securities Act, the REIT shall, at its expense:

(a) prepare and file with the Commission a Registration Statement with respect to such Registrable Shares and use best efforts to cause that Registration Statement to become effective;

(b) use commercially reasonable efforts to cause the Registration Statement to remain effective;

(c) subject to the provision of Section 2, promptly prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to keep the Registration Statement effective for the period of time required by the Commission;

(d) promptly furnish to each Participating Holder such reasonable numbers of copies of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the Participating Holders may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by such Participating Holders and included in the Registration Statement; and

(e) promptly use commercially reasonable efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of states within the United States as the Participating Holders shall reasonably request; provided, however, that the REIT shall not be required in connection with this subsection 3(e) to: (i) qualify as a foreign corporation in any jurisdiction where, but for the requirements of this subsection 3(e), it would not be obligated to be so qualified; (ii) execute a general consent to service of process in any jurisdiction; (iii) subject itself to taxation in any such jurisdiction; or (iv) register in any state requiring, as a condition to registration, escrow or surrender of any REIT securities held by any security holder other than the Participating Holders.

If the REIT has delivered a preliminary or final prospectus to a Participating Holder and, after having done so, the prospectus is amended to comply with the requirements of the Securities Act, the REIT shall promptly notify such Participating Holder and, if requested, such Participating Holder shall immediately cease making offers of Registrable Shares and return all prospectuses to the REIT. The REIT shall promptly provide Participating Holders with revised prospectuses and, following receipt of the revised prospectuses, Participating Holders shall be free to resume making offers of the Registrable Shares.

Notwithstanding any other provisions of this Agreement to the contrary, upon receipt by a Participating Holder of a written notice signed by the Chief Executive Officer, General Counsel or Chief Financial Officer of the REIT, to the effect set forth below, the REIT shall not be obligated during a reasonable period of time thereafter to effect any registrations pursuant to this Agreement, and each such Participating Holder agrees that it will immediately suspend sales of Shares under any effective Registration Statement for a reasonable period of time, in either case not to exceed 90 days, at any time during which, in the REIT's reasonable judgment, (i) there is a development involving the REIT or any of its affiliates which is material but which has not yet been publicly disclosed or (ii) sales pursuant to the Registration Statement would materially and adversely affect an underwritten public offering for the account of the REIT or any other material financing project or where a proposed or pending material merger or other material acquisition or material business combination or material disposition of the REIT's assets, to which the REIT or any of its affiliates is, or is expected to be, a party. In the event a registration is postponed or sales by a Participating Holder pursuant to an effective Registration Statement are suspended in accordance with this paragraph, there shall be added to the period during which the REIT is obligated to keep a Registration Statement effective the number of days for which the Registration Statement was postponed or sales were suspended.

4. Expenses of Registration. The REIT will pay all Registration Expenses of all registrations under this Agreement. For purposes of this Agreement, the term "Registration Expenses" shall mean all expenses incurred by the REIT in complying with this Agreement, including without limitation, all registration and filing fees, exchange listing fees, printing expenses, the fees and disbursements of counsel for the REIT and the reasonable fees and disbursements of one counsel selected by the Participating Holders, the fees and disbursements of the REIT's accountants, state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting discounts and selling commissions.

5. Indemnification.

(a) Indemnification of Participating Holders. In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, the REIT will indemnify and hold harmless each Participating Holder, each of its directors and officers and each other person, if any, who controls such Participating Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities to which such Participating Holder or controlling person may become subject under the Securities Act, the Exchange Act, Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and the REIT will reimburse such Participating Holder and each such controlling person for any legal or any other expenses reasonably incurred by such Participating Holder or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the REIT will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the REIT, in writing, by or on behalf of any Participating Holder or controlling person specifically for use in the preparation thereof; and provided further, however, that any indemnification contained in this paragraph with respect to any preliminary prospectus shall not inure to the benefit of any person who otherwise is entitled to indemnification hereunder on account of any loss, liability, claim, damage or expense if a copy of an amended or supplemental preliminary prospectus, or the final prospectus, shall have been delivered or sent to such person within the time required by the Securities Act, and the untrue statement or omission of a material fact was corrected in such amended or supplemental preliminary prospectus or final prospectus and provided that such person did not deliver such amended or supplemental preliminary prospectus or final prospectus on a timely basis.

(b) Indemnification of the REIT. In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, each Participating Holder will indemnify and hold harmless the REIT, each of its directors and officers and each person, if any, who controls the REIT within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the REIT, such directors and officers or controlling persons may become subject under the Securities Act, Exchange Act, Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or

supplement to the Registration Statement, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case only if such statement or omission was made in reliance upon and in conformity with information furnished in writing to the REIT by or on behalf of such Participating Holder or controlling person, specifically for use in connection with the preparation of such Registration Statement, prospectus, amendment or supplement. No Participating Holder shall be liable pursuant to this Section 5(b) for any amount in excess of the proceeds of the offering received by such Participating Holder.

(c) Notice of Claim. Each party entitled to indemnification under this Section 5 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld); and, provided, further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 5 unless the failure to provide such notice materially prejudices the defense by the Indemnifying Party against such claim. The Indemnified Party may participate in such defense at such party's expense (provided that the counsel of the Indemnifying Party shall control the defense of such claim or proceeding); provided, however, that the Indemnifying Party shall pay such expense if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would, in the opinion of counsel of the Indemnified Party, be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding, it being understood, however, that in such event, the Indemnifying Party shall be liable for the reasonable fees and expenses of only one counsel for the Indemnified Parties. No Indemnifying Party, in the defense of any such claim or litigation shall as to an Indemnified Party, except with the consent of such Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party.

6. Rule 144. The REIT covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the REIT is not required to file such reports, it will, upon the request of the holders of the Registrable Securities, make publicly available such information as necessary to permit sales pursuant to Rule 144 under the Securities Act) and it will do all such other acts and things from time to time as reasonably requested by the holders of the Registrable Securities to the extent required from time to time to enable the holders of the Registrable Shares to sell Registrable Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereunder adopted by the Commission.

7. Cooperation. The Holders shall furnish to the REIT such information regarding the Holders and the distribution proposed by Participating Holders as the REIT may from time to time reasonably request in writing, and shall do such reasonable acts and things as the REIT may from time to time request, with respect to any registration, qualification or compliance referred to in this Agreement and in order to permit the REIT to comply with the requirements of law. Any failure by a Holder to make available such information or to do such acts and things shall constitute a waiver by such Holder of its rights to include such Holder's Registrable Shares in any such registration.

8. Restriction on Resale. Unless otherwise agreed by the REIT, until the date on which there are no Registrable Shares, each Holder agrees that it will not resell such Registrable Shares without registration under the Securities Act, compliance with Rule 144 under the Securities Act or an opinion of counsel for such Holder reasonably acceptable to the REIT, addressed to the REIT, to the effect that no such registration is required. All reasonable costs, fees and expenses of counsel in connection with such opinion shall be borne by the REIT.

9. Lock-Up Agreement. In consideration of the REIT's agreement to provide the Holders with the registration rights as set forth in this Agreement, Klaff agrees with the REIT and the Partnership that it will not for a period of five (5) years commencing on the Closing Date or such lesser period if permitted pursuant to the Contribution Agreement (the "Lock-Up Period") (i) sell, assign, or otherwise transfer the Units to be issued at the Closing or (ii) convert any Units into Conversion Shares. Notwithstanding the foregoing, the aforementioned prohibition shall not apply to (a) a transfer of Units (which shall nonetheless comply with any requirements or conditions to transfer in the Partnership Agreement of the Partnership) to a Permitted Transferee; or (b) bona fide pledge of Units (provided that the pledgee agrees to be bound by the terms of this Agreement as if an original signatory thereto). For purposes of this Section 10, the term "Permitted Transferees" means (i) any partner or other equity owner of the Partnership or Klaff; (ii) any equity owner of any partner or other equity owner of the Partnership or Klaff; (iii) members of the Immediate Family (as defined below) of any person described in (i) or (ii); and (iv) trusts for the benefit of, or entities controlled by, one or more of the persons described in (i), (ii) or (iii); and/or (v) any public charity, public foundation or charitable institution as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. For purposes of this Section 10, the term "Immediate Family" means, with respect to any natural person, such natural person's spouse, parents, parents-in-law, descendants, nephews, nieces, brothers, sisters, brothers-in-law, sisters-in-law and children-in-law (including adopted persons). A transfer to any Permitted Transferee shall not be deemed effective, and the REIT may issue stop transfer instructions to its transfer agent of the Shares in connection with a purported transfer, unless and until the transferor shall give the REIT written notice stating the name and address of the Permitted Transferee and identifying the securities which are being transferred and the REIT shall have received the written agreement of the Permitted Transferee to be bound by the terms of this Agreement as if an original signatory hereto.

10. Miscellaneous.

(a) Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be sent by certified mail, postage prepaid, return receipt requested; by an overnight express courier service that provides written confirmation of delivery; or by facsimile with written confirmation by the sending machine or with telephone confirmation of receipt, addressed as follows:

(i) If to REIT or Partnership:

Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, NY 10605
Attention: Robert Masters, Esq.
Telephone: 914-288-8139
Facsimile: 914-428-3646
Email: rmasters@acadiarealty.com

(ii) If to Klaff:

Klaff Realty, LP
122 South Michigan Avenue
Chicago, IL 60603
Attention: Hersch M. Klaff
Telephone: 312-360-3102
Facsimile: 312-360-0606
Email: hklaff@klaff.com

With a copy to:

Allan J. Reich, Esq.
Seyfarth Shaw LLP
55 E. Monroe Street, Suite 4200
Chicago, IL 60603
Telephone: 312-781-8650
Facsimile: 312-269-8869
Email: areich@seyfarth.com

Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this paragraph for the giving of notice. Notices given hereunder shall be deemed received upon actual receipt thereof or, in the case of notice by mail, upon two days from the date notice is first deposited in the mail in the manner provided above

(a) Binding Nature of Agreement. This Agreement shall be binding upon and inure to the benefit of (i) the REIT and its successors and assigns and (ii) each Holder and its heirs, successors and assigns.

(b) Transfer or Assignment of Registration Rights. Subject to Section 10 hereof, the rights with respect to any Registrable Shares to cause the REIT to register such securities granted to a Holder by the REIT under this Agreement may be transferred or assigned by a Holder, in whole or in part, to a transferee or assignee of any Registrable Shares (or any Units which are convertible, exercisable or redeemable, directly or indirectly, for Registrable Shares); provided that, in such case, the REIT shall be given written notice stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned and the REIT shall have received the written agreement of such transferee or assignee to be bound by the terms of this Agreement.

(c) Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

(d) Provisions Separable. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

(e) Entire Agreement. This Agreement contains the entire understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein contained. This Agreement may not be modified or amended other than by an agreement in writing.

(f) Paragraph Headings. The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

IN WITNESS WHEREOF, the parties executed and delivered this Agreement on the date first above written.

ACADIA REALTY TRUST

By: _____

Name:
Title:

ACADIA REALTY LIMITED PARTNERSHIP

By: Acadia Realty Trust,
its General Partner

By: _____

Name:
Title:

KLAFF REALTY, LP

BY: KLAFF REALTY, LIMITED, ITS GENERAL PARTNER

By: _____

Hersch M. Klaff, President

EXHIBIT 31.1

CERTIFICATION

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acadia Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth F. Bernstein
- --
Kenneth F. Bernstein
President and Chief Executive Officer
May 9, 2005

EXHIBIT 31.2

CERTIFICATION

I, Michael Nelsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acadia Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal 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 the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Nelsen
- --
Michael Nelsen
Senior Vice President and
Chief Financial Officer
May 9, 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 Quarterly Report of Acadia Realty Trust (the "Company") on Form 10-Q for the quarter ended March 31, 2005, 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
- --
Kenneth F. Bernstein
President and Chief Executive Officer
May 9, 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-Q for the quarter ended March 31, 2005, 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
- --
Michael Nelsen
Senior Vice President and
Chief Financial Officer
May 9, 2005