

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

or

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

For the transition period from _____ to _____

Commission File Number 1-12002

ACADIA REALTY TRUST

(Exact name of registrant in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

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

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

10605
(Zip Code)

(914) 288-8100

(Registrant's telephone number, including area code)

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

YES NO

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

YES NO

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

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller Reporting Company

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

As of May 5, 2010 there were 40,120,006 common shares of beneficial interest, par value \$.001 per share, outstanding.

ACADIA REALTY TRUST AND SUBSIDIARIES

FORM 10-Q

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

(dollars in thousands)

	March 31, 2010	December 31, 2009
	(unaudited)	
ASSETS		
Operating real estate		
Land	\$ 200,865	\$ 221,740
Buildings and improvements	847,140	845,751
Construction in progress	4,985	2,575
	<u>1,052,990</u>	<u>1,070,066</u>
Less: accumulated depreciation	200,943	193,745
Net operating real estate	852,047	876,321
Real estate under development	164,846	137,340
Cash and cash equivalents	66,077	93,808
Cash in escrow	6,649	8,582
Investments in and advances to unconsolidated affiliates	52,123	51,712
Rents receivable, net	18,590	16,782
Notes receivable and preferred equity investment, net	126,643	125,221
Deferred charges, net of amortization	27,609	28,311
Acquired lease intangibles, net of amortization	21,365	22,382
Prepaid expenses and other assets, net of amortization	24,223	22,005
Total assets	<u>\$ 1,360,172</u>	<u>\$ 1,382,464</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$ 706,536	\$ 732,287
Convertible notes payable, net of unamortized discount of \$1,850 and \$2,105, respectively	48,165	47,910
Acquired lease and other intangibles, net of amortization	6,506	6,753
Accounts payable and accrued expenses	14,418	17,548
Dividends and distributions payable	7,423	7,377
Distributions in excess of income from, and investments in, unconsolidated affiliates	20,534	20,589
Other liabilities	18,679	17,523
Total liabilities	<u>822,261</u>	<u>849,987</u>
Equity		
Common shares	40	40
Additional paid-in capital	300,799	299,014
Accumulated other comprehensive loss	(3,213)	(2,994)
Retained earnings	14,024	16,125
Total Common Shareholders' equity	<u>311,650</u>	<u>312,185</u>
Noncontrolling interests in subsidiaries	226,261	220,292
Total equity	<u>537,911</u>	<u>532,477</u>
Total liabilities and equity	<u>\$ 1,360,172</u>	<u>\$ 1,382,464</u>

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(unaudited)

	Three months ended	
	March 31,	
	2010	2009
(dollars in thousands, except per share amounts)		
Revenues		
Minimum rents	\$ 25,732	\$ 21,249
Percentage rents	135	201
Expense reimbursements	6,030	5,462
Lease termination income	6	205
Other property income	431	302
Management fee income	400	756
Interest income	5,127	5,143
Other	-	1,700
Total revenues	37,861	35,018
Operating Expenses		
Property operating	7,848	7,322
Real estate taxes	4,527	3,665
General and administrative	5,119	6,141
Depreciation and amortization	10,341	8,580
Total operating expenses	27,835	25,708
Operating income	10,026	9,310
Equity in earnings (losses) of unconsolidated affiliates	387	(3,307)
Interest and other finance expense	(8,467)	(7,821)
Gain on debt extinguishment	-	3,150
Income from continuing operations before income taxes	1,946	1,332
Income tax expense	(439)	(526)
Income from continuing operations	1,507	806
Discontinued Operations		
Operating income from discontinued operations	-	174
Gain on sale of property	-	5,637
Income from discontinued operations	-	5,811
Net income	1,507	6,617
Loss (income) attributable to noncontrolling interests in subsidiaries:		
Continuing operations	3,623	8,546
Discontinued operations	-	(4,864)
Net loss attributable to noncontrolling interests in subsidiaries	3,623	3,682
Net income attributable to Common Shareholders	\$ 5,130	\$ 10,299
Income from continuing operations attributable to Common Shareholders	\$ 5,130	\$ 9,352
Income from discontinued operations attributable to Common Shareholders	-	947
Net Income attributable to Common Shareholders	\$ 5,130	\$ 10,299
Basic Earnings per Share		
Income from continuing operations	\$ 0.13	\$ 0.28
Income from discontinued operations	-	0.03
Basic earnings per share	\$ 0.13	\$ 0.31
Diluted Earnings per Share		
Income from continuing operations	\$ 0.13	\$ 0.28
Income from discontinued operations	-	0.03
Diluted earnings per share	\$ 0.13	\$ 0.31

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(unaudited)

(dollars in thousands)

	Three months ended	
	March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,507	\$ 6,617
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	10,341	8,592
Gain on sale of property	-	(5,637)
Gain on debt extinguishment	-	(3,150)
Amortization of lease intangibles	285	2,455
Amortization of mortgage note premium	(9)	(9)
Amortization of discount on convertible debt	255	447
Non-cash accretion of notes receivable	(1,438)	(1,258)
Share compensation expense	1,057	1,133
Equity in (earnings) losses of unconsolidated affiliates	(387)	3,307
Distributions of operating income from unconsolidated affiliates	49	139
Provision for bad debt	442	359
Changes in assets and liabilities		
Cash in escrow	1,933	684
Rents receivable	(2,250)	(2,080)
Prepaid expenses and other assets, net	(2,366)	8,477
Accounts payable and accrued expenses	(939)	(2,361)
Other liabilities	1,002	1,430
Net cash provided by operating activities	9,482	19,145
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate	(11,075)	(96,052)
Deferred acquisition and leasing costs	(395)	(694)
Investments in and advances to unconsolidated affiliates	(156)	(2,242)
Return of capital from unconsolidated affiliates	28	301
Repayments of notes receivable	-	902
Advances on notes receivable	-	(347)
Proceeds from sale of property	-	9,481
Net cash used in investing activities	(11,598)	(88,651)

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(unaudited)

(dollars in thousands)

	Three months ended March 31,	
	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage notes	(25,742)	(24,319)
Proceeds received on mortgage notes	-	150,565
Purchase of convertible notes	-	(13,925)
Increase in deferred financing and other costs	(2,943)	(1,124)
Capital contributions from noncontrolling interests in partially-owned affiliates	11,876	-
Distributions to noncontrolling interests in partially-owned affiliates	(487)	(404)
Dividends paid to Common Shareholders	(7,188)	(8,671)
Distributions to noncontrolling interests in Operating Partnership	(184)	(630)
Distributions on preferred Operating Partnership Units to noncontrolling interests	(5)	(19)
Repurchase and cancellation of Common Shares	(966)	(2,715)
Common Shares issued under Employee Share Purchase Plan	24	30
Net cash (used in) provided by financing activities	(25,615)	98,788
(Decrease) increase in cash and cash equivalents	(27,731)	29,282
Cash and cash equivalents, beginning of period	93,808	86,691
Cash and cash equivalents, end of period	\$ 66,077	\$ 115,973
Supplemental disclosure of cash flow information		
Cash paid during the period for interest, including capitalized interest of \$442 and \$969, respectively	\$ 7,724	\$ 7,589
Cash paid for income taxes	\$ 784	\$ 30
Dividends paid through the issuance of Common Shares	\$ -	\$ 16,192

See accompanying notes

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

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

All of the Company’s assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and entities in which the Operating Partnership owns a controlling interest. As of March 31, 2010, the Trust controlled 99% of the Operating Partnership as the sole general partner. As the general partner, the Trust is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners primarily represent entities or individuals who contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common or Preferred OP Units”). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Trust (“Common Shares”). This structure is commonly referred to as an umbrella partnership REIT or “UPREIT.”

During 2001, the Company formed a partnership, Acadia Strategic Opportunity Fund, LP (“Fund I”), and in 2004 formed a limited liability company, Acadia Mervyn Investors I, LLC (“Mervyns I”), with four institutional investors. The Operating Partnership committed a total of \$20.0 million to Fund I and Mervyns I, and the four institutional shareholders committed \$70.0 million, for the purpose of acquiring real estate investments. As of March 31, 2010, Fund I was fully invested, with the Operating Partnership having contributed \$16.5 million to Fund I and \$2.7 million to Mervyns I.

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

During 2004, the Company, along with the investors from Fund I as well as two additional institutional investors, formed Acadia Strategic Opportunity Fund II, LLC (“Fund II”), and Acadia Mervyn Investors II, LLC (“Mervyns II”) with \$300.0 million, in the aggregate, of committed discretionary capital. The Operating Partnership’s share of committed capital is \$60.0 million. The Operating Partnership is the managing member with a 20% interest in both Fund II and Mervyns II. The terms and structure of Fund II and Mervyns II are substantially the same as Fund I and Mervyns I, including the Promote structure, with the exception that the Preferred Return is 8%. As of March 31, 2010, the Operating Partnership had contributed \$40.0 million to Fund II and \$7.6 million to Mervyns II.

During 2007, the Company formed Acadia Strategic Opportunity Fund III LLC (“Fund III”) with 14 institutional investors, including all of the investors from Fund I and a majority of the investors from Fund II with \$502.5 million of committed discretionary capital. The Operating Partnership’s share of the committed capital is \$100.0 million and it is the managing member with a 19.9% interest in Fund III. The terms and structure of Fund III are substantially the same as the previous Funds, including the Promote structure, with the exception that the Preferred Return is 6%. As of March 31, 2010, the Operating Partnership had contributed \$19.2 million to Fund III.

Fund I, Fund II, Fund III, Mervyns I and Mervyns II are collectively referred to herein as the “Opportunity Funds.”

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of the Company and its investments in partnerships and limited liability companies in which the Company is presumed to have control in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810 “Consolidation” (“ASC Topic 810”). Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company’s share of the net earnings (or loss) of these entities are included in consolidated net income under the caption, Equity in Earnings (Losses) of Unconsolidated Affiliates.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. 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.

Although the Company accounts for its investment in Albertson’s, which it has made through the Retailer Controlled Property Venture (“RCP Venture”) (Note 7), using the equity method of accounting, the Company adopted the policy of not recording its equity in earnings or losses of the unconsolidated affiliate until the Company receives the audited financial statements of Albertson’s to support the equity in earnings or losses in accordance with ASC Topic 323 “Investments – Equity Method and Joint Ventures.”

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010. 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, 2009.

Recent Accounting Pronouncements

On January 1, 2010, the Company adopted new accounting requirements relating to variable interest entities. These new accounting requirements amend the existing accounting guidance: (i) to require an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity, identifying the primary beneficiary of a variable interest entity; (ii) to require ongoing reassessment of whether an enterprise is the primary beneficiary of a variable interest entity, rather than only when specific events occur; (iii) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; (iv) to amend certain guidance for determining whether an entity is a variable interest entity; (v) to add an additional reconsideration event when changes in facts and circumstances pertinent to a variable interest entity occur; (vi) to eliminate the exception for troubled debt restructuring regarding variable interest entity reconsideration; and (vii) to require advanced disclosures that will provide users of financial statements with more transparent information about an enterprise’s involvement in a variable interest entity. The adoption of these new accounting requirements did not have a material impact on the Company’s consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-06 “Improving Disclosures about Fair Value Measurements” (“ASU No. 2010-06”). The provisions of ASU No. 2010-06 amended Subtopic 820-10, “Fair Value Measurements and Disclosures – Overall,” by requiring an entity to: (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separate information for Level 3 activity pertaining to gross purchases, sales, issuances, and settlements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the gross basis reconciliation for the Level 3 fair value measurements, which is effective for fiscal years beginning after December 15, 2010. The adoption did not have a material impact on the Company’s financial position and results of operations, as it does not have any transfers between Level 1 and Level 2 fair value measurements.

In February 2010, the FASB issued ASU No. 2010-09 “Subsequent Events (ASC Topic 855) Amendments to Certain Recognition and Disclosure Requirements” (“ASU No. 2010-09”). ASU No. 2010-09 requires an entity that is an SEC filer to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose a date, in both issued and revised financial statements, through which the filer had evaluated subsequent events. The adoption did not have an impact on the Company’s financial position and results of operations.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. EARNINGS PER COMMON SHARE

Basic earnings per share was determined by dividing the applicable net income attributable to Common Shareholders for the period by the weighted average number of Common Shares outstanding during each period consistent with ASC Topic 260, "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:

(dollars in thousands, except per share amounts)	Three months ended March 31,	
	2010	2009
Numerator:		
Income from continuing operations attributable to Common Shareholders	\$ 5,130	\$ 9,352
Effect of dilutive securities:		
Preferred OP Unit distributions	—	5
Numerator for diluted earnings per Common Share	<u>\$ 5,130</u>	<u>\$ 9,357</u>
Denominator:		
Weighted average shares for basic earnings per share	39,981	33,474
Effect of dilutive securities:		
Employee share options	169	122
Convertible Preferred OP Units	—	25
Dilutive potential Common Shares	<u>169</u>	<u>147</u>
Denominator for diluted earnings per share	<u>40,150</u>	<u>33,621</u>
Basic earnings per Common Share from continuing operations attributable to Common Shareholders	<u>\$ 0.13</u>	<u>\$ 0.28</u>
Diluted earnings per Common Share from continuing operations attributable to Common Shareholders	<u>\$ 0.13</u>	<u>\$ 0.28</u>

The weighted average shares used in the computation of diluted earnings per share include unvested restricted Common Shares ("Restricted Shares") and restricted OP units ("LTIP Units") (Note 15) that are entitled to receive dividend equivalent payments. The effect of the conversion of Common OP Units is not reflected in the above table, as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as noncontrolling interests in subsidiaries in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share. The conversion of the convertible notes payable (Note 11) is not reflected in the table above as such conversion based on the current market price of the Common Shares would be settled with cash. The effect of the assumed conversion of 188 Series A Preferred OP Units into 25,067 Common Shares would be dilutive for the three months ended March 31, 2009 as reflected above. These would be anti-dilutive for the three months ended March 31, 2010 and, accordingly, are not included in computing diluted earnings per Common Share for the period.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. COMPREHENSIVE INCOME

The following table sets forth comprehensive income for the three months ended March 31, 2010 and 2009:

(dollars in thousands)	Three months ended	
	March 31,	
	2010	2009
Net income attributable to Common Shareholders	\$ 5,130	\$ 10,299
Other comprehensive (loss) income	(219)	146
Comprehensive income attributable to Common Shareholders	<u>\$ 4,911</u>	<u>\$ 10,445</u>

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

The following table sets forth the change in accumulated other comprehensive loss for the three months ended March 31, 2010:

Accumulated other comprehensive loss

(dollars in thousands)	
Balance at December 31, 2009	\$ (2,994)
Unrealized loss on valuation of derivative instruments and amortization of derivative instrument	(219)
Balance at March 31, 2010	<u>\$ (3,213)</u>

5. SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarizes the change in the shareholders' equity and noncontrolling interest since December 31, 2009:

(dollars in thousands)	Common Shareholders' Equity	Noncontrolling Interests	Total
Balance at December 31, 2009	\$ 312,185	\$ 220,292	\$ 532,477
Dividends and distributions declared of \$0.18 per Common Share and Common OP Units	(7,231)	(192)	(7,423)
Net income (loss) for the period January 1 through March 31, 2010	5,130	(3,623)	1,507
Distributions paid	-	(487)	(487)
Other comprehensive (loss) income – Unrealized (loss) gain on valuation of derivative instruments	(219)	65	(154)
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	2,114	(2,114)	-
Common Shares issued under Employee Share Purchase Plan	24	-	24
Issuance of Common Shares to Trustees	61	-	61
Employee Restricted Share awards	552	-	552
Employee Restricted Shares cancelled	(966)	-	(966)
Employee LTIP Unit awards	-	444	444
Noncontrolling interest contributions	-	11,876	11,876
Balance at March 31, 2010	<u>\$ 311,650</u>	<u>\$ 226,261</u>	<u>\$ 537,911</u>

Noncontrolling interests include interests in the Operating Partnership which represent (i) the limited partners' 376,306 and 626,606 Common OP Units at March 31, 2010 and December 31, 2009, respectively, (ii) 188 Series A Preferred OP Units at March 31, 2010 and December 31, 2009, with a stated value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$22.50 (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS IN SUBSIDIARIES, (continued)

if such unit were converted into a Common OP Unit. Noncontrolling interests also include outside interests in partially owned affiliates and third-party interests in Fund I, II and III, and Mervyns I and II and three other entities.

For the three months ended March 31, 2010, 57,476 employee Restricted Shares were cancelled to pay the employees' income taxes due on the value of the portion of the Restricted Shares that vested during the period. During the three months ended March 31, 2010, the Company recognized accrued Common Share and Common OP Unit-based compensation totaling \$1.0 million.

6. DISPOSITION OF PROPERTIES AND DISCONTINUED OPERATIONS

Discontinued Operations

In accordance with ASC Subtopic 205-20 "Presentation of Financial Statements, Discontinued Operations," the Company reclassified the consolidated statements of income and the consolidated balance sheets relating to the properties that were sold or became held for sale, as a discontinued operation, for all periods presented.

The combined results of operations for these properties for the three months ended March 31, 2010 and March 31, 2009 are reported separately as discontinued operations. During February 2009, the Company sold six Kroger locations.

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

STATEMENTS OF OPERATIONS	Three months ended March 31, 2009
<i>(dollars in thousands)</i>	
Total revenues	\$ 282
Total expenses	108
Operating income	174
Gain on sale of property	5,637
Income from discontinued operations	5,811
Income from discontinued operations attributable to noncontrolling interests in subsidiaries	(4,864)
Income from discontinued operations attributable to Common Shareholders	\$ 947

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS

A. Investments In and Advances to Unconsolidated Affiliates

Retailer Controlled Property Venture (“RCP Venture”)

During January of 2004, the Company commenced the RCP Venture with Klaff Realty, LP (“Klaff”) and Lubert-Adler Management, Inc., through a limited liability company (“KLA”), for the purpose of making investments in surplus or underutilized properties owned by retailers. As of March 31, 2010, the Company had invested \$60.8 million through the RCP Venture on a non-recourse basis. Cash flow from any investment in which the RCP Venture participants elect to invest, is to be distributed to the participants until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff and 80% to the partners (including Klaff).

Mervyns Department Stores

During September 2004, the Company made its first RCP Venture investment. Through Mervyns I and Mervyns II, the Company invested \$23.2 million in a consortium to acquire the Mervyns Department Store chain (“Mervyns”) consisting of 262 stores (“REALCO”) and its retail operation (“OPCO”) from Target Corporation. To date, REALCO has disposed of a significant portion of the portfolio. In addition, in November 2007, the Company sold its interest in OPCO and, as a result, has no further investment in OPCO. Subsequent to the initial acquisition, the Company, through Mervyns I and Mervyns II, made additional investments of \$2.9 million.

During the quarter ended March 31, 2009, REALCO recorded an impairment charge on its investment in certain locations and leasehold interests of which Mervyns I and II recognized a combined loss of \$3.1 million. The Operating Partnership’s share of this loss, net of taxes, was \$0.6 million.

Through March 31, 2010, the Company, through Mervyns I and Mervyns II, made additional investments in locations that are separate from the original investment (“Add-On Investments”) in Mervyns totaling \$5.1 million.

Albertson’s

During June of 2006, the RCP Venture made its second investment as part of an investment consortium, acquiring Albertson’s and Cub Foods, of which the Mervyns II share was \$20.7 million. Through March 31, 2010, Mervyns II has received distributions from this investment totaling \$65.8 million.

Through March 31, 2010, the Company, through Mervyns II, made Add-On Investments in Albertson’s totaling \$2.4 million and received distributions totaling \$1.2 million.

Other RCP Investments

During 2006, Fund II made investments of \$1.1 million in Shopko and \$0.7 million in Marsh. During 2007, Fund II received a \$1.1 million cash distribution from the Shopko investment representing 100% of its invested capital. As of March 31, 2010, Fund II made investments of \$2.0 million in additional Add-On Investments in Marsh and has received distributions totaling \$2.6 million.

During July of 2007, the RCP Venture acquired a portfolio of 87 retail properties from Rex Stores Corporation, in which the Company invested in through Mervyns II. Mervyns II’s share of this investment was \$2.7 million. Through March 31, 2010, Mervyns II has received distributions of \$0.4 million.

The Company accounts for the original investments in Mervyns and Albertson’s using the equity method of accounting as the Company has the ability to exercise significant influence over, but does not have financial or operating control. The Company accounts for the Add-On Investments and other RCP Venture investments using the cost method due to its minor ownership interest and the inability to exert influence over KLA’s operating and financial policies.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

A. Investments In and Advances to Unconsolidated Affiliates (continued)

The following table summarizes the Company's RCP Venture investments from inception through March 31, 2010:

(dollars in thousands)

Investor	Investment	Year Acquired	Invested Capital and Advances	Distributions	Operating Partnership Share	
					Invested Capital and Advances	Distributions
Mervyns I and Mervyns II	Mervyns	2004	\$ 26,058	\$ 45,966	\$ 4,901	\$ 11,251
Mervyns I and Mervyns II	Mervyns add-on investments	2005/2008	5,126	1,703	753	283
Mervyns II	Albertson's	2006	20,717	65,757	4,239	13,151
Mervyns II	Albertson's add-on investments	2006/2007	2,409	1,215	386	243
Fund II	Shopko	2006	1,100	1,100	220	220
Fund II	Marsh	2006	2,667	2,639	533	528
Mervyns II	Rex Stores	2007	2,701	400	535	80
Total			<u>\$ 60,778</u>	<u>\$ 118,780</u>	<u>\$ 11,567</u>	<u>\$ 25,756</u>

Brandywine Portfolio

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

Crossroads

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

Other Investments

Fund I Investments

Fund I owned a 50% interest in the Sterling Heights Shopping Center, which was accounted for using the equity method of accounting.

On March 25, 2010, Fund I sold the Sterling Heights Shopping Center for \$2.3 million. The proceeds from this sale together with the balance of Fund I's recourse obligation of \$0.6 million were used to fully liquidate the outstanding mortgage loan obligation.

Fund II Investments

Fund II has a 25% interest in CityPoint, a redevelopment project located in downtown Brooklyn, NY, which is accounted for using the equity method. The Company has determined that CityPoint is a variable interest entity, and the Company is not the primary beneficiary. The Company's maximum exposure is its current investment balance of \$37.5 million.

The redevelopment plans include the development of a 1.3 million square foot project consisting of commercial and residential components. The Company will participate in the development of the commercial component and does not plan on participating in the development of, nor does it have any ownership interest in, the residential component of the project. As of December 31, 2009, it was determined that the residential component of the project was impaired. Consequently, CityPoint wrote down the residential portion of the project to its fair value and recorded a \$66.0 million impairment charge. The impairment charge was allocated 100% to the unaffiliated joint venture partner. The Company has not recognized any share of this impairment charge as it has no ownership interest in the residential component.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

A. Investments In and Advances to Unconsolidated Affiliates (continued)

Summary of Investments in Unconsolidated Affiliates

The following tables summarize the Company's investments in unconsolidated affiliates as of March 31, 2010 and December 31, 2009. CityPoint is not reflected in the below Statements of Operations as there are no current operations at this redevelopment project.

	March 31, 2010					
(dollars in thousands)	RCP Venture	CityPoint	Brandywine Portfolio	Crossroads	Other Investments	Total
<i>Balance Sheets</i>						
Assets:						
Rental property, net	\$ -	\$ -	\$ 127,250	\$ 4,905	\$ 3,489	\$ 135,644
Real estate under development	-	101,437	-	-	-	101,437
Investment in unconsolidated affiliates	197,221	-	-	-	-	197,221
Other assets	-	3,261	10,177	4,846	724	19,008
Total assets	\$ 197,221	\$ 104,698	\$ 137,427	\$ 9,751	\$ 4,213	\$ 453,310
Liabilities and partners' equity						
Mortgage note payable	\$ -	\$ 25,990	\$ 166,200	\$ 62,056	\$ -	\$ 254,246
Other liabilities	-	2,704	7,089	1,192	8	10,993
Partners' equity (deficit)	197,221	76,004	(35,862)	(53,497)	4,205	188,071
Total liabilities and partners' equity	\$ 197,221	\$ 104,698	\$ 137,427	\$ 9,751	\$ 4,213	\$ 453,310
Company's investment in and advances to unconsolidated affiliates	\$ 13,108	\$ 37,513	\$ -	\$ -	\$ 1,502	\$ 52,123
Share of distributions in excess of share of income and investment in unconsolidated affiliates	\$ -	\$ -	\$ (8,297)	\$ (12,237)	\$ -	\$ (20,534)

	December 31, 2009					
(dollars in thousands)	RCP Venture	CityPoint	Brandywine Portfolio	Crossroads	Other Investments	Total
<i>Balance Sheets</i>						
Assets:						
Rental property, net	\$ -	\$ -	\$ 127,091	\$ 4,968	\$ 10,631	\$ 142,690
Real Estate under development	-	100,346	-	-	-	100,346
Investment in unconsolidated affiliates	209,407	-	-	-	-	209,407
Other assets	-	3,265	11,388	4,322	1,976	20,951
Total assets	\$ 209,407	\$ 103,611	\$ 138,479	\$ 9,290	\$ 12,607	\$ 473,394
Liabilities and partners' equity						
Mortgage note payable	\$ -	\$ 25,990	\$ 166,200	\$ 62,295	\$ 4,200	\$ 258,685
Other liabilities	-	2,096	7,762	977	1,250	12,085
Partners equity (deficit)	209,407	75,525	(35,483)	(53,982)	7,157	202,624
Total liabilities and partners' equity	\$ 209,407	\$ 103,611	\$ 138,479	\$ 9,290	\$ 12,607	\$ 473,394
Company's investment in and advances to unconsolidated affiliates	\$ 12,832	\$ 37,357	\$ -	\$ -	\$ 1,523	\$ 51,712
Share of distributions in excess of share of income and investment in unconsolidated affiliates	\$ -	\$ -	\$ (8,212)	\$ (12,377)	\$ -	\$ (20,589)

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

A. Investments In and Advances to Unconsolidated Affiliates (continued)

Summary of Investments in Unconsolidated Affiliates (continued)

	Three Months Ended March 31, 2010				
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	Total
(dollars in thousands)					
<i>Statements of Operations</i>					
Total revenue	\$ -	\$ 4,544	\$ 2,167	\$ 358	\$ 7,069
Operating and other expenses	-	1,579	701	257	2,537
Interest expense	-	2,481	834	40	3,355
Equity in earnings of unconsolidated affiliates	2,923	-	-	-	2,923
Depreciation and amortization	-	863	146	89	1,098
Loss on sale of property, net	-	-	-	(2,957)	(2,957)
Net income (loss)	<u>\$ 2,923</u>	<u>\$ (379)</u>	<u>\$ 486</u>	<u>\$ (2,985)</u>	<u>\$ 45</u>
Company's share of net income (loss)	\$ 276	\$ (43)	\$ 237	\$ 14	\$ 484
Amortization of excess investment	-	-	(97)	-	(97)
Company's share of net income (loss)	<u>\$ 276</u>	<u>\$ (43)</u>	<u>\$ 140</u>	<u>\$ 14</u>	<u>\$ 387</u>

	Three Months Ended March 31, 2009				
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	Total
(dollars in thousands)					
<i>Statements of Operations</i>					
Total revenue	\$ -	\$ 4,917	\$ 2,109	\$ 459	\$ 7,485
Operating and other expenses	-	1,564	773	304	2,641
Interest expense	-	2,519	846	37	3,402
Equity in losses of unconsolidated affiliates	(32,194)	-	-	-	(32,194)
Depreciation and amortization	-	848	148	127	1,123
Loss on sale of property, net	-	-	-	(390)	(390)
Net (loss) income	<u>\$ (32,194)</u>	<u>\$ (14)</u>	<u>\$ 342</u>	<u>\$ (399)</u>	<u>\$ (32,265)</u>
Company's share of net (loss) income	\$ (3,381)	\$ 43	\$ 166	\$ (38)	\$ (3,210)
Amortization of excess investment	-	-	(97)	-	(97)
Company's share of net (loss) income	<u>\$ (3,381)</u>	<u>\$ 43</u>	<u>\$ 69</u>	<u>\$ (38)</u>	<u>\$ (3,307)</u>

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. NOTES RECEIVABLE AND PREFERRED EQUITY INVESTMENT

At March 31, 2010, the Company's notes receivable and preferred equity investment, net aggregated \$126.6 million and were collateralized by the underlying properties, the borrower's ownership interest in the entities that own the properties and/or by the borrower's personal guarantee. Effective interest rates on the Company's notes receivable and preferred equity investment ranged from 10.0% to 21.9% with maturities that range from demand notes to January 2017. As of March 31, 2010, notes receivable and preferred equity investments are as follows:

Description	Effective interest Rate	Maturity date	Periodic payment terms	Prior liens	Carrying amount of notes receivable and preferred equity	Extension options
(dollars in thousands)						
72nd Street	19.28%	7/18/2011	(1)	\$ 185,000 (4)	\$ 42,322	1 x 1 year
Georgetown A	10.14%	11/12/2010	(3)	8,516	8,000	2 x 1 year
Georgetown B	13.43%	6/27/2010	(2)	115,713	40,000	2 x 1 year
Other Loan	14.50%	12/30/2010	(2)	-	8,585	1 x 6 month
First Mortgage Loan	12.50%	9/11/2010	(3)	-	10,000	1 x 1 year
Individually less than 3%	10% to 21.90%	Demand note to 1/1/2017		272,433	17,736	-
Total					\$ 126,643	

Notes:

- (1) Principal and interest, including a \$7.5 million exit fee, are due upon maturity.
- (2) Payable upon maturity.
- (3) Interest only payable monthly, principal due on maturity.
- (4) The balance represents the maximum amount to be drawn under a construction loan.

During March 2010, the Company assigned its interest in a redevelopment project to an unaffiliated entity in exchange for a \$2.0 million note as consideration for its interest. This note is contingent upon the unaffiliated entity obtaining financing for the redevelopment project and bears interest at 10%. The Company had previously recorded a \$2.0 million reserve against the costs of this redevelopment project. Consequently, all principal and accrued interest for this contingent note receivable is currently reserved as of March 31, 2010.

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, 2010. The notional value does not represent exposure to credit, interest rate or market risks.

Hedge Type	Notional Value	Rate	Maturity	Fair Value
(dollars in thousands)				
Interest rate LIBOR swaps	\$ 78,933	0.90% to 5.14%	7/19/10 to 11/30/12	\$ (3,422)
Interest rate LIBOR Cap	\$ 30,000	6.0%	4/01/10	-
Net Derivative instrument liability (1)				\$ (3,422)

(1) The fair value of the derivative instruments is included in other liabilities in the Consolidated Balance Sheets.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. MORTGAGE LOANS

The Company completed the following transactions related to mortgage loans and credit facilities during the three months ended March 31, 2010:

i) closed on a \$48.0 million construction loan that bears interest at the greater of (a) LIBOR plus 400 basis points or (b) an interest rate floor of 6.50% and a maturity date of January 12, 2012. As of March 31, 2010, no amount was drawn on this construction loan.

ii) extended the Fund II line of credit that was to mature on March 1, 2010 to March 1, 2011 and adjusted the interest rate from LIBOR plus 250 basis points to LIBOR plus 325 basis points. The line of credit's maximum capacity was reduced to \$40.0 million and will decrease to \$30.0 million in September 2010.

iii) on February 9, 2010, the Company paid off the outstanding Ledgewood line of credit balance of \$2.0 million, which was scheduled to mature on March 29, 2010 and terminated the line of credit.

The following table sets forth certain information pertaining to the Company's secured credit facilities:

(dollars in thousands) Borrower	Total amount of credit facility	Amount borrowed as of December 31, 2009	Net borrowings (repayments) during the three months ended March 31, 2010	Amount borrowed as of March 31, 2010	Letters of credit outstanding as of March 31, 2010	Amount available under credit facilities as of March 31, 2010
Acadia Realty, LP	\$ 64,498	\$ 30,000	\$ (15,000)	\$ 15,000	\$ 9,210	\$ 40,288
Acadia Realty, LP	-	2,000	(2,000)	-	-	-
Fund II	40,000	48,245	(8,245)	40,000	-	-
Fund III	221,000	139,450	-	139,450	500	81,050
Total	<u>\$ 325,498</u>	<u>\$ 219,695</u>	<u>\$ (25,245)</u>	<u>\$ 194,450</u>	<u>\$ 9,710</u>	<u>\$ 121,338</u>

In June 2009, the servicer of two of the Company's loans alleged that non-monetary defaults had occurred on construction loans for \$31.7 million and \$11.5 million collateralized by the Pelham Manor Shopping Center and Atlantic Avenue, respectively. The servicer contends that the Company did not substantially complete the improvements in accordance with the required completion dates as defined in the loan agreements and, accordingly, did not meet the requirements for the final draws. The Company does not believe the loans are in default and will vigorously defend its position and is currently in discussions with the servicer to resolve these issues. The Company believes that the ultimate resolution of this matter will not have a material adverse effect on the Company's financial condition or results of operations.

On April 1, 2010, a \$30.0 million loan, collateralized by a Fund II property located on 161st Street in the Bronx, NY, matured. The Company gave notice of the exercise of its one year extension option and agreed to pay down \$0.4 million in order to comply with its debt service coverage requirement to extend. The lender disputed and refused to grant the extension request and has issued a Notice of Event of Default and Demand for Payment with which the Company disagrees. As a result, the lender is contending that interest at the default rate, which at March 31, 2010, amounts to 6.65%, is payable with which the Company also disagrees. The Company is in negotiations with the special servicer of the loan to amend the loan terms and extend the maturity. The Company believes that it will be able to successfully negotiate the extension and the ultimate resolution of this matter will not have a material adverse effect on its financial condition or the results of operations.

11. CONVERTIBLE NOTES PAYABLE

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

During 2009 and 2008, the Company purchased \$57.0 million and \$8.0 million in face amount, respectively, of its convertible debt at an average discount of approximately 19%. The transactions resulted in a gain on debt extinguishment of \$7.1 million and \$1.5 million for the years ended December 31, 2009 and 2008, respectively. The outstanding Convertible Notes face amount as of March 31, 2010 was \$50.0 million.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. FAIR VALUE MEASUREMENTS

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

ASC Topic 820's valuation techniques are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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

Derivative Instruments — The Company's derivative financial liabilities consist of interest rate swaps and are predominately valued using Level 2 inputs. The fair value of these instruments is based upon the estimated amounts the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the reporting date and is determined using interest rate market pricing models.

The following table presents the Company's liabilities measured at fair value based on level of inputs at March 31, 2010:

(dollars in thousands)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Liabilities</u>			
Derivatives	\$ -	\$ 3,422	\$ -
Total liabilities measured at fair value	<u>\$ -</u>	<u>\$ 3,422</u>	<u>\$ -</u>

Financial Instruments

ASC Topic 825 "Financial Instruments" requires disclosure on the fair value of financial instruments.

Certain of the Company's assets and liabilities are considered financial instruments. Fair value estimates, methods and assumptions are set forth below.

Cash and Cash Equivalents, Restricted Cash, Cash in Escrow, Rents Receivable, Prepaid Expenses, Other Assets, Accounts Payable and Accrued Expenses, Dividends and Distributions Payable and Other Liabilities—The carrying amount of these assets and liabilities approximates fair value as of March 31, 2010 and December 31, 2009 due to the short-term nature of such accounts.

Notes Receivable and Preferred Equity Investments — As of March 31, 2010 and December 31, 2009, the Company has determined the estimated fair values of its preferred equity investments and notes receivable were \$133.3 million and \$126.4 million, respectively, by discounting future cash receipts utilizing a discount rate equivalent to the rate at which similar investments would be originated at the reporting date.

Derivative Instruments — The fair value of these instruments is based upon the estimated amounts the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the reporting date and is determined using interest rate market pricing models.

Mortgage Notes Payable and Convertible Notes Payable — As of March 31, 2010 and December 31, 2009, the Company has determined the estimated fair values of its mortgage notes payable were \$741.3 million and \$751.0 million, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated at the reporting date.

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS

During February 2010, Klaff converted all 250,000 of its Restricted Common OP Units into 250,000 Common Shares.

The Company earns asset management, leasing, disposition, development and construction fees for providing services to an existing portfolio of retail properties and/or leasehold interests in which Klaff has an interest. Fees earned by the Company in connection with this portfolio were \$0.03 million and \$0.2 million for the three months ended March 31, 2010 and 2009, respectively.

The Company earned property management fees, legal and leasing fees from the Brandywine portfolio totaling \$0.2 million for each of the three months ended March 31, 2010 and March 31, 2009.

Lee Wielansky, the Lead Trustee of the Company, was paid a consulting fee of \$25,000 for each of the three months ended March 31, 2010 and 2009.

14. SEGMENT REPORTING

The Company has five reportable segments: Core Portfolio, Opportunity Funds, Self-Storage Portfolio, Notes Receivable and Other. "Notes Receivable" consists of the Company's notes receivable and preferred equity investment and related interest income. "Other" consists primarily of management fees and interest income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. Investments in the Core Portfolio are typically held long-term. Given the contemplated finite life of the Opportunity Funds, these investments are typically held for shorter terms. Fees earned by the Company as the general partner/member of the Opportunity Funds are eliminated in the Company's consolidated financial statements. The following table sets forth certain segment information for the Company, reclassified for discontinued operations, as of and for the three months ended March 31, 2010 and 2009 (does not include unconsolidated affiliates):

Three Months Ended March 31, 2010							
(dollars in thousands)	Core Portfolio	Opportunity Funds	Self- Storage Portfolio	Notes Receivable	Other	Amounts Eliminated in Consolidation	Total
Revenues	\$ 15,934	\$ 11,862	\$ 4,539	\$ 4,857	\$ 5,055	\$ (4,386)	\$ 37,861
Property operating expenses and real estate taxes	5,330	4,455	2,882	-	-	(292)	12,375
Other expenses	5,714	3,382	-	-	-	(3,977)	5,119
Income before depreciation and amortization	\$ 4,890	\$ 4,025	\$ 1,657	\$ 4,857	\$ 5,055	\$ (117)	\$ 20,367
Depreciation and amortization	\$ 3,917	\$ 5,349	\$ 1,183	\$ -	\$ -	\$ (108)	\$ 10,341
Interest and other finance expense	\$ 4,302	\$ 3,063	\$ 1,102	\$ -	\$ -	\$ -	\$ 8,467
Real estate at cost	\$ 476,751	\$ 542,961	\$ 209,268	\$ -	\$ -	\$ (11,144)	\$ 1,217,836
Total assets	\$ 538,059	\$ 612,245	\$ 196,206	\$ 126,643	\$ -	\$ (112,981)	\$ 1,360,172
Expenditures for real estate and improvements	\$ 1,960	\$ 8,611	\$ 555	\$ -	\$ -	\$ (51)	\$ 11,075

Reconciliation to net income and net income attributable to Common Shareholders

Net property income before depreciation and amortization	\$ 20,367
Depreciation and amortization	(10,341)
Equity in earnings of unconsolidated affiliates	387
Interest and other finance expense	(8,467)
Income tax expense	(439)
Net income	1,507
Net loss attributable to noncontrolling interests in subsidiaries	3,623
Net income attributable to Common Shareholders	\$ 5,130

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. SEGMENT REPORTING (continued)

Three Months Ended March 31, 2009

(dollars in thousands)	<u>Core Portfolio</u>	<u>Opportunity Funds</u>	<u>Self- Storage Portfolio</u>	<u>Notes Receivable</u>	<u>Other</u>	<u>Amounts Eliminated in Consolidation</u>	<u>Total</u>
Revenues	\$ 18,723	\$ 8,643	\$ 1,752	\$ 4,890	\$ 7,170	\$ (6,160)	\$ 35,018
Property operating expenses and real estate taxes	5,541	3,134	2,417	-	-	(105)	10,987
Other expenses	6,921	4,040	-	-	-	(4,820)	6,141
Income (loss) before depreciation and amortization	\$ 6,261	\$ 1,469	\$ (665)	\$ 4,890	\$ 7,170	\$ (1,235)	\$ 17,890
Depreciation and amortization	\$ 4,143	\$ 3,388	\$ 1,049	\$ -	\$ -	\$ -	\$ 8,580
Interest and other finance expense	\$ 5,156	\$ 1,472	\$ 1,193	\$ -	\$ -	\$ -	\$ 7,821
Real estate at cost	\$ 474,177	\$ 512,319	\$ 200,035	\$ -	\$ -	\$ (8,213)	\$ 1,178,318
Total assets	\$ 565,619	\$ 603,210	\$ 195,857	\$ 126,290	\$ -	\$ (94,877)	\$ 1,396,099
Expenditures for real estate and improvements	\$ 38	\$ 94,575	\$ 2,323	\$ -	\$ -	\$ (884)	\$ 96,052

Reconciliation to net income and net income attributable to Common Shareholders

Net property income before depreciation and amortization	\$ 17,890
Depreciation and amortization	(8,580)
Equity in losses of unconsolidated affiliates	(3,307)
Interest and other finance expense	(7,821)
Gain on debt extinguishment	3,150
Income tax expense	(526)
Income from discontinued operations	5,811
Net income	6,617
Net loss attributable to noncontrolling interests in subsidiaries	3,682
Net income attributable to Common Shareholders	\$ 10,299

ACADIA REALTY TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. LONG-TERM INCENTIVE COMPENSATION

On March 1, 2010, the Company issued 257,116 LTIP Units to officers of the Company. Vesting with respect to these awards is recognized ratably over the next five annual anniversaries of the issuance date. The vesting on 46% of these awards is also generally subject to achieving certain total shareholder returns on the Company's Common Shares or certain Company performance measures.

Also on March 1, 2010 and March 10, 2010, the Company issued a total of 16,473 Restricted Shares and 9,812 LTIP Units, respectively, to employees of the Company. Vesting with respect to these awards is recognized ratably over the next five annual anniversaries of the issuance date. The vesting on 31% of these awards is also generally subject to achieving certain total shareholder returns on the Company's Common Shares or certain Company performance measures.

The total value of the above Restricted Shares and LTIP Units as of the grant date was \$4.7 million. Compensation expense of \$0.3 million has been recognized in the accompanying financial statements related to these awards for the three months ended March 31, 2010.

In 2009, the Company adopted the Long Term Investment Alignment Program (the "Program") pursuant to which the Company may award units to primarily senior executives which would entitle them to receive up to 25% of any future Fund III Promote when and if such Promote is ultimately realized. As of March 31, 2010, the Company has awarded units representing 61% of the Program, which were determined to have no value at issuance. In accordance with ASC Topic 718, "Compensation-Stock Compensation," compensation relating to these awards will be recorded based on the change in the estimated fair value at each reporting period.

Total long-term incentive compensation expense, including the expense related to the Program, was \$1.0 million and \$1.1 million for the three months ended March 31, 2010 and 2009, respectively.

16. DIVIDENDS AND DISTRIBUTIONS PAYABLE

On February 26, 2010, the Board of Trustees of the Company approved and declared a cash dividend for the quarter ended March 31, 2010 of \$0.18 per Common Share and Common OP Unit. The dividend was paid on April 15, 2010 to shareholders of record as of March 31, 2010.

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, 2010 and 2009 and for the three months then ended. This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results performance or achievements expressed or implied by such forward-looking statements. Such factors are set forth under the heading "Item 1A. Risk Factors" in our Form 10-K for the year ended December 31, 2009 (our "2009 Form 10-K") and include, among others, the following: general economic and business conditions, including the current post-recessionary period, which will, among other things, affect demand for rental space, the availability and creditworthiness of prospective tenants, lease rents and the availability of financing; adverse changes in our real estate markets, including, among other things, competition with other companies; risks of real estate development, acquisition and investment; risks related to our use of leverage; demands placed on our resources due to the growth of our business; risks related to operating through a partnership structure; our limited control over joint venture investments; the risk of loss of key members of management; uninsured losses; REIT distribution requirements and ownership limitations; concentration of ownership by certain institutional investors; governmental actions and initiatives; and environmental/safety requirements. Except as required by law, we do not undertake any obligation to update or revise any forward-looking statements contained in this Form 10-Q.

OVERVIEW

As of March 31, 2010, we operated 78 properties, which we own or have an ownership interest in, within our Core Portfolio or within our three Opportunity Funds. These 78 properties consist of commercial properties, primarily neighborhood and community shopping centers, self-storage and mixed-use properties with a retail component. The properties we operate are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States. Our Core Portfolio consists of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through our Opportunity Funds. Excluding two properties under redevelopment, there are 32 properties in our Core Portfolio totaling approximately 4.8 million square feet. Fund I has 20 properties comprising approximately 0.9 million square feet. Fund II has 10 properties, seven of which (representing 1.2 million square feet) are currently operating, one is under construction, and two are in design phase. Three of the properties also include self-storage facilities. We expect the Fund II portfolio will have approximately 2.0 million square feet upon completion of all current construction and anticipated redevelopment activities. Fund III has 14 properties totaling approximately 1.8 million square feet, of which 11 locations representing 0.9 million net rentable square feet are self-storage facilities. The majority of our operating income is derived from rental revenues from these 78 properties, including recoveries from tenants, offset by operating and overhead expenses. As our RCP Venture invests in operating companies, we consider these investments to be private-equity style, as opposed to real estate, investments. Since these are not traditional investments in operating rental real estate but investments in operating businesses, the Operating Partnership invests in these through a taxable REIT subsidiary ("TRS").

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

- Own and operate a Core Portfolio of community and neighborhood shopping centers and main street retail located in markets with strong demographics and generate internal growth within the Core Portfolio through aggressive redevelopment, re-anchoring and/or leasing activities
- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth
- Generate external growth through an opportunistic yet disciplined acquisition program. We target transactions with high inherent opportunity for the creation of additional value through redevelopment and leasing and/or transactions requiring creative capital structuring to facilitate the transactions. These transactions may include other types of commercial real estate besides those which we invest in through our Core Portfolio. These may also include joint ventures with private equity investors for the purpose of making investments in operating retailers with significant embedded value in their real estate assets

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2009 Form 10-K.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2010 ("2010") to the three months ended March 31, 2009 ("2009")

Revenues (dollars in millions)	2010				2009			
	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other	Core Portfolio	Opportunity Funds	Storage Portfolio	Notes Receivable and Other
Minimum rents	\$ 11.9	\$ 9.6	\$ 4.2	\$ —	\$ 12.5	\$ 7.2	\$ 1.5	\$ —
Percentage rents	0.1	—	—	—	0.2	—	—	—
Expense reimbursements	3.9	2.2	—	—	4.1	1.4	—	—
Lease termination income	—	—	—	—	0.2	—	—	—
Other property income	—	0.1	0.3	—	—	—	0.3	—
Management fee income (1)	—	—	—	0.4	—	—	—	0.8
Interest income	—	—	—	5.1	—	—	—	5.1
Other income	—	—	—	—	1.7	—	—	—
Total revenues	\$ 15.9	\$ 11.9	\$ 4.5	\$ 5.5	\$ 18.7	\$ 8.6	\$ 1.8	\$ 5.9

(1) Includes fees earned by the Company as general partner/managing member of the Opportunity Funds that are eliminated in consolidation. These fees are adjusted in noncontrolling interests. The net balance reflected in the table represents third party fees that are not eliminated in consolidation. Reference is made to Note 14 to the Notes to Consolidated Financial Statements in Part 1, Item 1 of this Form 10-Q for an overview of our five reportable segments.

The decrease in minimum rents in the Core Portfolio primarily relates to tenant vacancies at Third Avenue and the Circuit City bankruptcy at Ledgewood Mall. The increase in minimum rents in the Opportunity Funds primarily relates to additional rents following the acquisition of Cortlandt Towne Center ("2009 Fund Acquisition") of \$0.6 million and additional leases at Fordham Place and Pelham Manor commencing in 2009 ("Fordham and Pelham") of \$2.0 million. The increase in minimum rents in the Storage Portfolio relates to the full amortization of acquired lease intangible costs during 2009.

Expense reimbursements in the Opportunity Funds increased for both real estate taxes and common area maintenance as a result of the 2009 Fund Acquisition and Fordham and Pelham.

Other income of \$1.7 million in the Core Portfolio during 2009 was the result of a forfeited sales contract deposit.

Operating Expenses

(dollars in millions)	2010				2009			
	<u>Core Portfolio</u>	<u>Opportunity Funds</u>	<u>Storage Portfolio</u>	<u>Notes Receivable and Other</u>	<u>Core Portfolio</u>	<u>Opportunity Funds</u>	<u>Storage Portfolio</u>	<u>Notes Receivable and Other</u>
Property operating	\$ 3.0	\$ 2.9	\$ 2.3	\$ (0.3)	\$ 3.3	\$ 2.2	\$ 1.9	\$ (0.1)
Real estate taxes	2.3	1.6	0.6	—	2.3	0.9	0.5	—
General and administrative	5.7	3.4	—	(4.0)	6.9	4.0	—	(4.8)
Abandoned project costs	—	—	—	—	—	—	—	—
Depreciation and amortization	3.9	5.3	1.2	(0.1)	4.1	3.4	1.1	—
Total operating expenses	\$ 14.9	\$ 13.2	\$ 4.1	\$ (4.4)	\$ 16.6	\$ 10.5	\$ 3.5	\$ (4.9)

The increase in property operating expenses in the Opportunity Funds was primarily the result of the 2009 Fund Acquisition as well as Fordham and Pelham.

The increase in real estate taxes in the Opportunity Funds was attributable to the 2009 Fund Acquisition as well as Fordham and Pelham.

The decrease in general and administrative expense in the Core Portfolio was primarily attributable to reduced compensation expense following staff reductions in the first quarter of 2009. The decrease in general and administrative expense in the Opportunity Funds primarily relates to the reduction in Promote expense attributable to Fund I. The increase in general and administrative expense in Notes Receivable and Other primarily relates to the elimination of the Fund I Promote expense for consolidated financial statement presentation purposes.

Depreciation expense increased \$1.5 million and amortization expense increased \$0.4 million in the Opportunity Funds as a result of the 2009 Fund Acquisition as well as Fordham and Pelham.

Other

(dollars in millions)	2010				2009			
	<u>Core Portfolio</u>	<u>Opportunity Funds</u>	<u>Storage Portfolio</u>	<u>Notes Receivable and Other</u>	<u>Core Portfolio</u>	<u>Opportunity Funds</u>	<u>Storage Portfolio</u>	<u>Notes Receivable and Other</u>
Equity in earnings (losses) of unconsolidated affiliates	\$ 0.1	\$ 0.3	\$ —	\$ —	\$ 0.1	\$ (3.4)	\$ —	\$ —
Interest expense	(4.3)	(3.1)	(1.1)	—	(5.1)	(1.5)	(1.2)	—
Gain on extinguishment of debt	—	—	—	—	3.1	—	—	—
Income tax provision	(0.4)	—	—	—	(0.5)	—	—	—
Income from discontinued operations	—	—	—	—	—	—	—	5.8
Loss (income) attributable to noncontrolling interests in subsidiaries - Continuing operations	(0.1)	3.7	—	—	(0.2)	7.5	0.2	1.1
Loss (income) attributable to noncontrolling interests in subsidiaries - Discontinued operations	—	—	—	—	—	—	—	(4.9)

Equity in earnings (losses) of unconsolidated affiliates in the Opportunity Funds increased primarily as a result of our pro-rata share of losses from Mervyns in 2009.

Total interest expense in the Core Portfolio decreased by \$0.8 million in 2010. This was the result of a \$1.2 million decrease attributable to lower average outstanding borrowings in 2010 offset by a \$0.4 million increase attributable to higher average interest rates in 2010. Interest expense in the Opportunity Funds increased \$1.6 million in 2010. This was the result of an increase of \$0.6 million due to higher average outstanding borrowings in 2010, an increase of \$0.2 million due to higher average interest rates in 2010 and \$0.8 million of lower capitalized interest in 2010.

The gain on extinguishment of debt of \$3.1 million is attributable to the purchase of our convertible debt at a discount in 2009.

Income from discontinued operations represents activity related to property sales in 2009.

Loss (income) attributable to noncontrolling interests in subsidiaries – Continued operations for the Opportunity Funds primarily represents the noncontrolling interests' share of all the Opportunity Funds variances discussed above. Loss (income) attributable to noncontrolling interests in subsidiaries – Continued operations in Notes Receivable and Other relates to the noncontrolling interests' share of capitalized construction, leasing and legal fees.

Loss (income) attributable to noncontrolling interests in subsidiaries - Discontinued operations for the Opportunity Funds primarily represents the noncontrolling interests' share of activity related to property sales in 2009.

FUNDS FROM OPERATIONS

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

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

The reconciliation of net income to FFO for the three months ended March 31, 2010 and 2009 is as follows:

(dollars in millions)	Three months ended	
	March 31,	
	2010	2009
Net income attributable to Common Shareholders	\$ 5.1	\$ 10.3
Depreciation of real estate and amortization of leasing costs (net of noncontrolling interests' share)		
Consolidated affiliates	4.6	4.3
Unconsolidated affiliates	0.4	0.4
Gain on sale (net of noncontrolling interests' share)		
Consolidated affiliates	—	(0.9)
Income attributable to noncontrolling interest in Operating Partnership (1)	0.1	0.2
Funds from operations	<u>\$ 10.2</u>	<u>\$ 14.3</u>
Cash flows provided by (used in):		
Operating activities	\$ 9.5	\$ 19.1
Investing activities	\$ (11.6)	\$ (88.7)
Financing activities	\$ (25.6)	\$ 98.8

Notes:

(1) Does not include distributions paid to Series A Preferred OP Unit holders.

USES OF LIQUIDITY

Our principal uses of liquidity are (i) distributions to our shareholders and OP unit holders, (ii) investments which include the funding of our capital committed to the Opportunity Funds and property acquisitions and redevelopment/re-tenanting activities within our Core Portfolio, and (iii) debt service and loan repayments, including the repurchase of our Convertible Notes.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the three months ended March 31, 2010, we paid dividends and distributions on our Common Shares and Common OP Units totaling \$7.4 million.

Investments

Fund I and Mervyns I

Reference is made to Notes 1 and 7 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Fund I and Mervyns I. Fund I and Mervyns I have returned all invested capital and accumulated preferred return thus triggering our Promote in all future Fund I earnings and distributions. As of March 31, 2010, \$86.6 million has been invested in Fund I and Mervyns I, of which the Operating Partnership contributed \$19.2 million.

As of March 31, 2010, Fund I currently owns, or has ownership interests in, 20 assets comprising approximately 0.9 million square feet as follows:

<u>Shopping Center</u>	<u>Location</u>	<u>Year acquired</u>	<u>GLA</u>
<u>New York Region</u>			
<i>New York</i>			
Tarrytown Shopping Center	Tarrytown	2004	35,291
<u>Mid-Atlantic Region</u>			
<i>Ohio</i>			
Granville Centre	Columbus	2002	134,997
<u>Various Regions</u>			
Kroger/Safeway Portfolio	Various	2003	709,400
Total			<u>879,688</u>

In addition, we, along with our Fund I investors have invested in Mervyns as discussed in Note 7 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q.

Fund II and Mervyns II

Reference is made to Notes 1 and 7 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Fund II and Mervyns II. To date, Fund II's primary investment focus has been in the New York Urban/Infill Redevelopment Initiative and the Retailer Controlled Property Venture. As of March 31, 2010, \$238.1 million has been invested in Fund II, of which the Operating Partnership contributed \$47.6 million.

Retailer Controlled Property Venture

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

New York Urban Infill Redevelopment Initiative

In September 2004, we, through Fund II, launched our New York Urban Infill Redevelopment initiative. During 2004, Fund II, together with an unaffiliated partner, P/A 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 mixed-use real estate properties in the New York City metropolitan area which include a retail component. P/A has agreed to invest 10% of required capital up to a maximum of \$2.2 million and Fund II, the managing member, has agreed to invest the balance to acquire assets in which Acadia P/A agrees to invest. Operating cash flow is generally to be distributed pro-rata to Fund II and P/A until each has received a 10% cumulative return and then 60% to Fund II and 40% to P/A. Distributions of net refinancing and net sales proceeds, as defined, follow the distribution of operating cash flow except that unpaid original capital is returned before the 60%/40% split between Fund II and P/A. Upon the liquidation of the last property investment of Acadia P/A, to the extent that Fund II has not received an 18% internal rate of return ("IRR") on all of its capital contributions, P/A is obligated to return a portion of its previous distributions, as defined, until Fund II has received an 18% IRR.

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

Property	Location	Year acquired	Costs to date	Redevelopment (dollars in millions)		
				Anticipated additional costs	Estimated construction completion	Square feet upon completion
Liberty Avenue (1)	Queens	2005	\$ 15.2	\$ —	Completed	125,000
216 th Street	Manhattan	2005	27.7	—	Completed	60,000
Fordham Place	Bronx	2004	123.5	9.9	Substantially completed	276,000
Pelham Manor Shopping Center (1)	Westchester	2004	57.8	6.2	Substantially completed	320,000
161 st Street	Bronx	2005	57.8	7.8	(2)(4)	230,000
Atlantic Avenue (3)	Brooklyn	2007	21.2	0.8	Completed	110,000
Canarsie Plaza	Brooklyn	2007	39.6	43.2	1 st half 2011	265,000
Sherman Plaza	Manhattan	2005	32.6	—(2)	(2)	-(2)
CityPoint (1)	Brooklyn	2007	44.6	—(2)	(2)	-(2)
Total			\$ 420.0	\$ 67.9		1,386,000

Notes:

- (1) Acadia P/A acquired a ground lease interest at this property.
- (2) To be determined
- (3) P/A is not a partner in this project.
- (4) Currently operating but redevelopment activities have commenced.

Fund III

Reference is made to Note 1 in the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of Fund III. As of March 31, 2010, \$96.5 million has been invested in Fund III, of which the Operating Partnership contributed \$19.2 million.

New York Urban Infill Redevelopment Initiative

Fund III has invested in one New York Urban/Infill Redevelopment and one Urban/Infill Redevelopment in Westport, Connecticut as follows:

Property	Location	Year acquired	Costs to date	Redevelopment (dollars in millions)	
				Anticipated additional costs	Square feet upon completion
Sheepshead Bay	Brooklyn, NY	2007	\$ 22.7	\$ - (1)	-
125 Main Street	Westport, CT	2007	18.6	7.4 (1)	30,000
Total			\$ 41.3	\$ 7.4	30,000

Notes:

- (1) To be determined

Other Fund III Investments

During February 2008, Acadia, through Fund III, and in conjunction with an unaffiliated partner, Storage Post, acquired a portfolio of eleven self-storage properties from Storage Post's existing institutional investors for approximately \$174.0 million. The properties are located throughout New York and New Jersey. The portfolio continues to be operated by Storage Post, which is a 5% equity partner.

During January 2009, Fund III purchased Cortlandt Towne Center for \$78.0 million. The property is a 642,000 square foot shopping center located in Westchester County, NY, a trade area with high barriers to entry for regional and national retailers.

Preferred Equity Investment and Notes Receivable

Reference is made to Note 8 to the Notes to Consolidated Financial Statements in Part 1, Item 1 in this Form 10-Q for an overview of our preferred equity investment and notes receivable. At March 31, 2010, our preferred equity investment, mezzanine loan investments and notes receivable, net aggregated \$126.6 million with accrued interest thereon of \$12.3 million, and were collateralized by the underlying properties, the borrower's ownership interest in the entities that own the properties and/or by the borrower's personal guarantee. Effective interest rates on our preferred equity investment, mezzanine loan investments and notes receivable ranged from 10.0% to 21.9% with maturities through January 2017.

Property Redevelopment and Expansion

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

Purchase of Convertible Notes

During 2009, we purchased an additional \$57.0 million in face amount of our outstanding convertible notes for \$46.7 million.

Share Repurchase

We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of our outstanding Common Shares. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. Under this program we have repurchased 2.1 million Common Shares, none of which were repurchased after December 2001. As of March 31, 2010, management may repurchase up to approximately \$7.5 million of our outstanding Common Shares under this program.

SOURCES OF LIQUIDITY

We intend on using Fund III, as well as new funds that we may establish in the future, as the primary vehicles for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment Initiative. Additional sources of capital for funding property acquisitions, redevelopment, expansion, re-tenanting and RCP Venture investments, are expected to be obtained primarily from (i) the issuance of public equity or debt instruments, (ii) cash on hand and cash flow from operating activities, (iii) additional debt financings, (iv) noncontrolling interests' unfunded capital commitments of \$325.2 million for Fund III, and (v) future sales of existing properties.

During 2010, Fund II received capital contributions of \$14.8 million to fund redevelopment projects and pay down the line of credit of Fund II.

As of March 31, 2010, we had approximately \$121.3 million of additional capacity under existing debt facilities and cash and cash equivalents on hand of \$66.1 million.

Shelf Registration Statements and Issuance of Equity

During April 2009, we filed a shelf registration on Form S-3 providing for offerings of up to a total of \$500.0 million of Common Shares, Preferred Shares and debt securities. During April 2009, we issued 5.75 million Common Shares and generated net proceeds of approximately \$65.0 million. The proceeds were primarily used to purchase a portion of our outstanding convertible notes payable and pay down existing lines of credit. Following this issuance, we have remaining capacity under this registration statement to issue up to approximately \$430.0 million of these securities.

Asset Sales

Asset sales are an additional source of liquidity for us. In March 2010, Fund I sold the Sterling Heights Shopping Center for \$2.3 million. During November 2009, we sold Blackman Plaza for \$2.5 million. During February 2009, The Kroger Co. purchased the fee at six locations in Fund I's Kroger/Safeway Portfolio for \$14.6 million of which Fund I's share of the sales proceeds amounted to \$8.1 million after the repayment of the mortgage debt on these properties.

Notes Receivable and Mezzanine Loan Repayments

During April 2010, we received a \$2.1 million first mortgage loan payment.

Financing and Debt

At March 31, 2010, mortgage and convertible notes payable aggregated \$754.7 million, net of unamortized premium of \$0.1 million and unamortized discount of \$1.8 million, and were collateralized by 27 properties and related tenant leases. Interest rates on our outstanding mortgage indebtedness and convertible notes payable ranged from 0.71% to 7.38% with maturities that ranged from April 2010 to November 2032. Taking into consideration \$78.9 million of notional principal under variable to fixed-rate swap agreements currently in effect, \$434.6 million of the portfolio, or 57.6%, was fixed at a 5.57% weighted average interest rate and \$320.1 million, or 42.4% was floating at a 3.20% weighted average interest rate. There is \$76.9 million of debt maturing in 2010 at weighted average interest rates of 2.15%. Of this amount, \$1.6 million represents scheduled annual amortization. The loans relating to \$35.3 million of the 2010 maturities provide for extension options, which we believe we will be able to exercise. If we are unable to extend these loans and refinance the balance of \$41.6 million, we believe we will be able to repay this debt with existing liquidity, including unfunded capital commitments from the Opportunity Funds' investors. As it relates to maturities after 2010, we may not have sufficient cash on hand to repay such indebtedness, we may have to refinance this indebtedness or select other alternatives based on market conditions at that time. Given the current lack of liquidity in the credit markets and the current economic environment, which may cause us to lose tenants or not secure new tenants for existing centers or projects under development, refinancing this debt will be very difficult. See the "Item 1A. Risk Factors," including the discussion s under the headings "The current economic environment, while improving, may cause us to lose tenants and may impair our ability to borrow money to purchase properties, refinance existing debt or finance our current redevelopment projects" in our 2009 Form 10-K.

We completed the following transactions related to mortgage loans and credit facilities during the three months ended March 31, 2010:

- i) closed on a \$48.0 million construction loan that bears interest at the greater of (a) LIBOR plus 400 basis points or (b) an interest rate floor of 6.50% and a maturity date of January 12, 2012. As of March 31, 2010, no amount was drawn on this construction loan.
- ii) extended the Fund II line of credit that was to mature on March 1, 2010 to March 1, 2011 and adjusted the interest rate from LIBOR plus 250 basis points to LIBOR plus 325 basis points. The line of credit's maximum capacity was reduced to \$40.0 million and will decrease to \$30.0 million in September 2010.
- iii) on February 9, 2010, the Company paid off the outstanding Ledgewood line of credit balance of \$2.0 million, which was scheduled to mature on March 29, 2010 and terminated the line of credit.

In June 2009, the servicer of two of the Company's loans alleged that non-monetary defaults had occurred for two construction loans for \$31.7 million and \$11.5 million collateralized by the Pelham Manor Shopping Center and Atlantic Avenue, respectively. The servicer contends that the Company did not substantially complete the improvements in accordance with the required completion dates as defined in the loan agreements and, accordingly, did not meet the requirements for the final draws. The Company does not believe the loans are in default and will vigorously defend its position and is currently in discussions with the servicer to resolve these issues. The Company believes that the ultimate resolution of this matter will not have a material adverse effect on the Company's financial condition or results of operations.

On April 1, 2010, a \$30.0 million loan, collateralized by a Fund II property located on 161st Street in the Bronx, NY, matured. The Company gave notice of the exercise of its one year extension option and agreed to pay down \$0.4 million in order to comply with its debt service coverage requirement to extend. The lender disputed and refused to grant the extension request and has issued a Notice of Event of Default and Demand for Payment with which the Company disagrees. As a result, the lender is contending that interest at the default rate, which at March 31, 2010, amounts to 6.65%, is payable with which the Company also disagrees. The Company is in negotiations with the special servicer of the loan to amend the loan terms and extend the maturity. The Company believes that it will be able to successfully negotiate the extension and the ultimate resolution of this matter will not have a material adverse effect on its financial condition or the result of operations.

The following table sets forth certain information pertaining to the Company's secured credit facilities:

(dollars in millions) Borrower	Total amount of credit facility	Amount borrowed as of December 31, 2009	Net borrowings (repayments) during the three months ended March 31, 2010	Amount borrowed as of March 31, 2010	Letters of credit outstanding as of March 31, 2010	Amount available under credit facilities as of March 31, 2010
Acadia Realty, LP	\$ 64.5	\$ 30.0	\$ (15.0)	\$ 15.0	\$ 9.2	\$ 40.3
Acadia Realty, LP	-	2.0	(2.0)	-	-	-
Fund II	40.0	48.2	(8.2)	40.0	-	-
Fund III	221.0	139.5	-	139.5	0.5	81.0
Total	<u>\$ 325.5</u>	<u>\$ 219.7</u>	<u>\$ (25.2)</u>	<u>\$ 194.5</u>	<u>\$ 9.7</u>	<u>\$ 121.3</u>

The following table summarizes the Company's mortgage and other secured indebtedness as of March 31, 2010 and December 31, 2009:

(dollars in millions)

Lender/Originator	March 31, 2010	December 31, 2009	Interest Rate at March 31, 2010	Maturity	Properties Encumbered	Payment Terms
Mortgage notes payable – variable-rate						
Bank of America, N.A.	\$ 9.4	\$ 9.5	1.65% (LIBOR +1.40%)	6/29/2012	(1)	(27)
RBS Greenwich Capital	30.0	30.0	1.65% (LIBOR +1.40%)	4/1/2010	(2)	(28)
PNC Bank, National Association	10.4	10.4	3.50% (LIBOR +3.25%)	7/18/2010	(4)	(33)
Bank of America, N.A.	14.1	14.2	1.55% (LIBOR +1.30%)	12/1/2011	(6)	(27)
Anglo Irish Bank Corporation	9.8	9.8	1.90% (LIBOR +1.65%)	10/30/2010	(10)	(28)
			Greater of 1.5%+3.5%			
Eurohypo AG	86.0	86.0	or 5.00% (LIBOR +3.5%)	10/4/2011	(5)	(28)
Bank of America, N.A.	44.8	44.9	4.25% (LIBOR +4.00%)	7/29/2012	(26)	(27)
Sub-total mortgage notes payable	<u>204.5</u>	<u>204.8</u>				
Secured credit facilities:						
Bank of America, N.A.	15.0	30.0	1.50% (LIBOR +1.25%)	12/1/2010	(7)	(29)
Bank of America, N.A./Bank of New York	40.0	48.3	3.50% (LIBOR +3.25%)	3/1/2011	(8)	(28)
			0.71% (Commercial Paper +0.50%)			
Bank of America, N.A.	139.4	139.4		10/9/2011	(9)	(28)
J.P. Morgan Chase	—	2.0	1.50% (LIBOR +1.25%)	3/29/2010	(24)	(28)
Sub-total secured credit facilities	<u>194.4</u>	<u>219.7</u>				
Interest rate swaps (36)						
	<u>(78.9)</u>	<u>(83.4)</u>				
Total variable-rate debt	<u>320.0</u>	<u>341.1</u>				
Mortgage notes payable – fixed-rate						
RBS Greenwich Capital	14.3	14.3	5.64%	9/6/2014	(13)	(27)
RBS Greenwich Capital	17.6	17.6	4.98%	9/6/2015	(14)	(30)
RBS Greenwich Capital	12.3	12.3	5.12%	11/6/2015	(15)	(27)
Bear Stearns Commercial	34.5	34.6	5.53%	1/1/2016	(16)	(27)
Bear Stearns Commercial	20.5	20.5	5.44%	3/1/2016	(17)	(28)
J.P. Morgan Chase	8.2	8.2	6.40%	11/1/2032	(18)	(27)
Column Financial, Inc.	9.5	9.5	5.45%	6/11/2013	(19)	(27)
Merrill Lynch Mortgage Lending, Inc.	23.5	23.5	6.06%	10/1/2016	(20)	(31)
Bank of America N.A.	25.5	25.5	5.80%	10/1/2017	(3)	(28)
Bear Stearns Commercial	26.2	26.2	5.88%	8/1/2017	(11)	(32)
Wachovia	26.0	26.0	5.42%	2/11/2017	(12)	(28)
Bear Stearns Commercial	31.7	31.7	7.38%	1/1/2020	(22)	(34)
GEMSA Loan Services, L.P.	41.5	41.5	5.30%	3/16/2011	(21)	(28)
Bear Stearns Commercial	11.5	11.5	7.34%	1/1/2020	(23)	(35)
American United Life Insurance Company	4.7	4.8	6.35%	7/1/2014	(25)	(27)
Interest rate swaps (36)	<u>78.9</u>	<u>83.4</u>	5.67%	(36)		
Total fixed-rate debt	<u>386.4</u>	<u>391.1</u>				
Total fixed and variable debt	<u>706.4</u>	<u>732.2</u>				
Unamortized premium	<u>0.1</u>	<u>0.1</u>				
Total	<u>\$ 706.5</u>	<u>\$ 732.3</u>				

Notes:

- (1) Village Commons Shopping Center
- (2) 161st Street
- (3) 216th Street
- (4) Liberty Avenue
- (5) Fordham Place
- (6) Branch Shopping Center
- (7) Line of credit secured by the following properties:
Marketplace of Absecon
Bloomfield Town Square
Hobson West Plaza
Town Line Plaza
Methuen Shopping Center
Abington Towne Center
- (8) Acadia Strategic Opportunity Fund II, LLC line of credit secured by unfunded investor capital commitments
- (9) Acadia Strategic Opportunity Fund III, LLC line of credit secured by unfunded investor capital commitments
- (10) Tarrytown Center
- (11) Merrillville Plaza
- (12) 239 Greenwich Avenue
- (13) New Loudon Center
- (14) Crescent Plaza
- (15) Pacesetter Park Shopping Center
- (16) Elmwood Park Shopping Center
- (17) Gateway Shopping Center
- (18) Boonton Shopping Center
- (19) Chestnut Hill
- (20) Walnut Hill
- (21) Acadia Storage Post Portfolio Co, LLC
- (22) Pelham Manor
- (23) Atlantic Avenue
- (24) Line of credit secured by the Ledgewood Mall
- (25) Clark-Diversey
- (26) Cortlandt Towne Center
- (27) Monthly principal and interest.
- (28) Interest only monthly.
- (29) Annual principal and monthly interest.
- (30) Interest only monthly until 9/10; monthly principal and interest thereafter.
- (31) Interest only monthly until 10/11; monthly principal and interest thereafter.
- (32) Interest only monthly until 7/12 monthly principal and interest thereafter.
- (33) Interest only upon draw down on construction loan.
- (34) Interest only upon drawdown on construction loan until 1/1/13 monthly principal and interest thereafter
- (35) Interest only upon drawdown on construction loan until 1/1/15 monthly principal and interest thereafter
Represents the amount of the Company's variable-rate debt that has been fixed through certain cash flow hedge transactions. Maturing between 1/1/10 and 11/30/12. (Note 9).
- (36)

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At March 31, 2010, maturities on our mortgage notes ranged from April 2010 to November 2032. In addition, we have non-cancelable ground leases at six of our shopping centers. We also lease space for our corporate headquarters for a term expiring in 2015. The following table summarizes our debt maturities and obligations under non-cancelable operating leases as of March 31, 2010:

Contractual obligation	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Future debt maturities	\$ 756.5	\$ 149.0	\$ 347.2	\$ 31.6	\$ 228.7
Interest obligations on debt	138.3	31.9	41.6	29.4	35.4
Operating lease obligations	110.4	3.6	9.8	10.0	87.0
Construction commitments ⁽¹⁾	69.9	69.9	—	—	—
Total	\$ 1,075.1	\$ 254.4	\$ 398.6	\$ 71.0	\$ 351.1

Notes:

⁽¹⁾ In conjunction with the redevelopment of our Core Portfolio and Opportunity Fund properties, we have entered into construction commitments with general contractors. We intend to fund these requirements with existing liquidity.

OFF BALANCE SHEET ARRANGEMENTS

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

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

Investment	Pro-rata share of mortgage debt		Interest rate at March 31, 2010	Maturity date
	Opportunity Funds	Operating Partnership		
Crossroads	\$ n/a	\$ 30.4	5.37%	December 2014
Brandywine	n/a	36.9	5.99%	July 2016
CityPoint	6.1	1.2	2.75%	August 2010
Total	\$ 6.1	\$ 68.5		

In addition, we have arranged for the provision of four separate letters of credit in connection with certain leases and investments. As of March 31, 2010, there were no outstanding balances under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of our exposure would be \$9.7 million.

HISTORICAL CASH FLOW

The following table compares the historical cash flow for the three months ended March 31, 2010 (“2010”) with the cash flow for the three months ended March 31, 2009 (“2009”)

(dollars in millions)	Three months ended March 31,		
	2010	2009	Change
Net cash provided by operating activities	\$ 9.5	\$ 19.1	\$ (9.6)
Net cash used in investing activities	(11.6)	(88.7)	77.1
Net cash (used in) provided by financing activities	(25.6)	98.8	(124.4)
Total	\$ (27.7)	\$ 29.2	\$ (56.9)

A discussion of the significant changes in cash flow for 2010 versus 2009 is as follows:

The \$9.6 million decrease in net cash provided by operating activities was primarily attributable to a \$10.9 million decrease in other assets related to additional cash provided from the redemption of short term financial instruments in 2009.

The decrease of \$77.1 million in net cash used in investing activities resulted from the following: (i) a decrease of \$85.3 million in expenditures for real estate, development and tenant installations in 2010 and (ii) a decrease of \$2.1 million in investments and advances to unconsolidated affiliates in 2010. These decreases in cash used were offset by an additional \$9.5 million in proceeds from property sales in 2009.

The \$124.4 million decrease in net cash provided by financing activities was attributable to \$150.6 million of additional cash provided by borrowings in 2009. This 2010 cash decrease was offset by \$13.9 million of cash used for the purchase of convertible notes in 2009 and \$11.9 million of contributions from noncontrolling interests in 2010.

INFLATION

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our primary market risk exposure is to changes in interest rates related to our mortgage debt. See the discussion under Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations for certain quantitative details related to our mortgage debt.

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of March 31, 2010, we had total mortgage debt and convertible notes payable of \$754.7 million, net of unamortized premium of \$0.1 million and unamortized discount of \$1.8 million, of which \$434.6 million or 57.6% was fixed-rate, inclusive of interest rate swaps, and \$320.1 million, or 42.4% was variable-rate based upon LIBOR or commercial paper rates plus certain spreads. As of March 31, 2010, we were a party to seven interest rate swap transactions to hedge our exposure to changes in interest rates with respect to \$78.9 million of LIBOR-based variable-rate debt.

Of our total consolidated outstanding debt, \$76.9 million and \$361.3 million will become due in 2010 and 2011, respectively. As we intend on refinancing some or all of such debt at the then-existing market interest rates, which may be greater than the current interest rate, our interest expense would increase by approximately \$4.4 million annually if the interest rate on the refinanced debt increased by 100 basis points. After giving effect to noncontrolling interests, the Company’s share of this increase would be \$1.5 million.

Interest expense on our consolidated variable-rate debt, net of variable to fixed-rate swap agreements currently in effect, as of March 31, 2010 would increase by \$3.2 million annually if LIBOR increased by 100 basis points. After giving effect to noncontrolling interests, the Company’s share of this increase would be \$0.5 million. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Item 4. Controls and Procedures.

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

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

Part II. Other Information

Item 1. Legal Proceedings.

There have been no material legal proceedings beyond those previously disclosed in our 2009 Form 10-K.

Item 1A. Risk Factors.

The most significant risk factors applicable to the Company are described in Item 1A of our 2009 Form 10-K. There have been no material changes to those previously-disclosed risk factors.

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved)

None

Item 5. Other Information.

None

Item 6. Exhibits.

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

SIGNATURES

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

ACADIA REALTY TRUST

May 5, 2010 /s/ Kenneth F. Bernstein
Kenneth F. Bernstein
President and Chief Executive Officer
(Principal Executive Officer)

May 5, 2010 -
/s/ Michael Nelsen
Michael Nelsen
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit Index

Exhibit No.	Description
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (2)
3.3	Amended and Restated By-Laws of the Company (3)
3.4	Fifth Amendment to Declaration of Trust (9)
3.5	First Amendment the Amended and Restated Bylaws of the Company (9)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (4)
10.19	Fifth Amendment to Employment Agreement between the Company and Kenneth F. Bernstein dated August 5, 2008 (5)
10.27	Mortgage Agreement, \$25.0 million Mortgage Note, \$23.0 million Mortgage Note, Building Loan Agreement and General Assignment of Rents between Manufacturers and Traders Trust Company and Capital One, N.A. (the "Lending Group") and Canarsie Plaza, LLC, all dated January 12, 2010 (5)
10.28	Third Amended and Restated Credit Agreement and Note among Acadia Strategic Opportunity Fund II, LLC and Bank of America, N.A., dated March 3, 2010 (5)
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (5)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (5)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (6)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (6)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (7)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (7)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (8)
99.6	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (7)

Notes:

- (1) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal Year ended December 31, 1994
- (2) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998
- (3) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2005.
- (4) Incorporated by reference to the copy thereof filed as an Exhibit to Yale University's Schedule 13D filed on September 25, 2002
- (5) Filed herewith.
- (6) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-3 filed on March 3, 2000
- (7) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2003
- (8) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 1997
- (9) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended March 31, 2009

FIFTH AMENDMENT TO EMPLOYMENT AGREEMENT

This Fifth Amendment (the "Fifth Amendment") executed August 5, 2008 to the Employment Agreement (the "Agreement") between Acadia Realty Trust (the "Trust") and Kenneth F. Bernstein ("Executive").

WHEREAS, the Trust and Executive entered into an Employment Agreement dated as of October , 1998 (the "Employment Agreement"); and

WHEREAS, the Employment Agreement was amended by a First Amendment dated as of January 1, 2001, a Second Amendment dated as of January 1, 2004, a Third Amendment dated as of January 1, 2006, and a Fourth Amendment dated as of January 19, 2007; and

WHEREAS, the Trust and Executive desire to amend the Employment Agreement, effective January 1, 2008 (the "Effective Date"), principally in order to conform it with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration including the continuation of employment by the Trust, the receipt and sufficiency of which is hereby acknowledged, the Trust and Executive hereby agree as follows:

1. Section 4(b) of the Agreement shall be amended by adding the following sentence to the end of that Section:

The Incentive Bonus shall be paid by no later than March 15th of the calendar year following the end of each calendar year during the Employment Period.

2. Section 4(d) of the Agreement shall be amended by adding the following sentence to the end of that section:

In no event shall any required reimbursement be paid to the Executive later than the end of the calendar year following the calendar year in which the expense was incurred.

3. Section 5(a)(iv) of the Agreement shall be amended by deleting that section in its entirety and replacing it with the following:

Good Reason. The Executive shall have the right to terminate employment for "Good Reason" upon satisfaction of the following requirements: (i) notifying the Trust of the Good Reason within 90 days of the initial existence of the Good Reason, (ii) providing the Trust at least 30 days to correct such Good Reason, and (iii) upon the Trust's failure to take such corrective action within the 30-day period, giving the Trust a Notice of Termination for Good Reason within 60 days thereafter, with such Good Reason termination to be effective immediately upon delivery of same to the Trust. For purposes of this Agreement, "Good Reason" means any of the following without the Executive's written consent: (A) a material, adverse reduction in the Executive's duties, responsibilities or authority; (B) a material reduction in Executive's Annual Base Salary; (C) a material relocation of the Executive's office requiring the Executive to increase his commuting time by more than one (1) hour; (D) a material breach of this Agreement that results from the Trust's failure to provide benefits comparable to those provided the Executive as of the Effective Date, other than any such failure which affects all comparably situated officers; or (E) any other material breach of this Agreement by the Trust.

4. Section 7(v) of the Agreement shall be amended by adding the following sentence to the end of that Section:

In no event shall any required reimbursement be paid to the Executive later than the end of the calendar year following the calendar year in which the expense was incurred.

5. Section 7 of the Agreement shall be amended by deleting the first sentence of the paragraph immediately following Section 7(v) and replacing it with the following:

Subject to any delay in payment required by Section 28 of this Agreement, the aforesaid amounts shall be payable in cash as a lump-sum payment immediately upon termination of Executive's employment for reasons described in this Section 7, but in no event later than March 15 of the calendar year following the calendar year in which such termination occurs.

6. Section 7 of the Agreement shall be amended by revising the second paragraph following section 7(v) such that the following parenthetical phrase is inserted immediately after the words "within (1) year after the date of such termination":

(but not later than the date on which each such option's term would have expired in the absence of such termination of employment).

7. Section 8 of the Agreement shall be amended by deleting the first paragraph of that Section and replacing it with the following:

In the event the Trust terminates Executive's employment for any reason other than Cause or pursuant to a Six Month Notice of Non-Renewal given and made effective in accordance with subparagraph 2(a) hereon, or Executive terminates his employment for Good Reason, the Trust shall pay to Executive and Executive shall be entitled to receive the sum total of (A) Unpaid Accrued Salary and Bonus and (B) Severance Salary and Bonus, each determined in accordance with Paragraph 7 of this Agreement. Subject to any delay in payment required by Section 28 of this Agreement, the aforesaid amounts shall be payable in cash as a lump-sum payment immediately upon termination of Executive's employment for reasons described in this Section 8, but in no event later than March 15 of the calendar year following the calendar year in which such termination occurs.

8. The following shall be added as Section 28 of the Agreement

28. Section 409A. Notwithstanding any provision to the contrary in this Agreement, no payments or benefits that constitute a “deferral of compensation” under Section 409A (after application of Treas. Reg. §§ 1.409A-1(b)(4), 1.409A-1(b)(9)(iii), 1.409A-1(b)(9)(v), and 1.409A-3(i)(1)(iv)) to which the Executive becomes entitled under this Agreement on account of the Executive’s termination of employment shall be made or paid to the Executive prior to the earlier of (1) the expiration of the six-month period measured from the date of the Executive’s “separation from service” (as defined in Treas. Reg. § 1.409A-1(h)) with the Trust, or (2) the date of the Executive’s death, if the Executive is deemed at the time of such separation from service to be a “specified employee” within the meaning of Code Section 409A and such delay is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Within 14 days of the expiration of the applicable deferral period, the Trust shall pay the Executive all payments deferred pursuant to this Section 28.

9. Paragraph 2 of the Fourth Amendment to this Agreement shall be amended by replacing the reference to “Section 3” with “Section 9.”

10. Effective Date. This Fifth Amendment shall be effective as of January 1, 2009.

11. Successors; Counterparts. This Fifth Amendment (i) shall be binding on the executors, administrators, estates, heirs and legal successors of the parties and (ii) may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

12. Governing Law. This Fifth Amendment shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflict of laws thereof.

IN WITNESS WHEREOF, the undersigned have hereto set their hands as of the day and year first above written.

Acadia Realty Trust

By: _____
Robert Masters, Senior Vice President

Kenneth F. Bernstein, Executive



MORTGAGE”

Date: January 12, 2010

Mortgagor: CANARSIE PLAZA LLC

(Organizational Structure): limited liability company

(State Law organized under): Delaware

(Organizational Identification Number): 4343270

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

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

WITNESSETH, to secure the payment of an indebtedness in the principal sum of **Forty Eight Million Dollars (\$48,000,000.00)**, lawful money of the United States, together with interest thereon and other charges with respect thereto, to be paid according to a certain bond, note or other obligation dated as of the date hereof, made and delivered by Mortgagor to Mortgagee to Mortgagee (the “**Note**”), Mortgagor hereby mortgages to Mortgagee, as continuing and collateral security for the payment of any and all indebtedness, liabilities and obligations of Mortgagor to Mortgagee, now existing or which may hereafter arise pursuant to or in connection with (as further described below) the Note, this Building Loan Mortgage (this “**Mortgage**”), that certain building loan agreement by and between Mortgagor and Mortgagee dated as of the date hereof (the “**Loan Agreement**”), the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Administrative Agent in connection with the Loan (the “**Loan Documents**”) or any amendments, renewals, extensions, modifications or substitutions of the Note or this Mortgage (collectively, the “**Indebtedness**”), the premises described on the attached Schedule A.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. ALTERATIONS, DEMOLITION OR REMOVAL. No building, structure, other improvement, fixture or equipment or other personal property constituting any portion of the Premises shall be removed, demolished or substantially altered without the prior written consent of Mortgagee except as more fully set forth in that certain Building Loan Agreement dated as of the date hereof by and between the Mortgagor and the Mortgagee.

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

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

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

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

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

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

Minimum Leasing Criteria

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

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

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

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

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

13. NO SECONDARY FINANCING OR OTHER LIENS. Mortgagor shall not, without Mortgagee's prior written consent, mortgage, pledge, assign, grant a security interest in or cause any other lien or encumbrance to be made or permit any other lien or encumbrance to exist upon the Premises or any portion thereof except for (a) taxes and assessments not yet delinquent and (b) any mortgage, pledge, security interest, assignment or other lien or encumbrance to Mortgagee or any affiliate of Mortgagee (an "Affiliate").

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

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

16. CERTAIN RIGHTS AND OBLIGATIONS.

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

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

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

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

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

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

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

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

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

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

(iii) Tenant has not cancelled the Lease;

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

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

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

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

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

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

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

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

(a) Fiscal Year End Financial Statements.

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

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

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

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

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

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

26. ENVIRONMENTAL REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION. Mortgagor represents and warrants, and continues to represent and warrant as long as this Mortgage is in effect to the best of its knowledge, to Mortgagee that except as otherwise disclosed in that certain Business/Lender Phase I Environmental Site Assessment Report dated October 9, 2009 (a) Mortgagor and the Premises are in compliance with each statute, regulation or other law and each judgment, order or award of any court, agency or other governmental authority or of any arbitrator (individually an "Environmental Requirement") relating to the protection of any water, water vapor, land surface or subsurface, air, fish, wildlife, biota or other natural resources or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of any chemical, natural or synthetic substance, waste, pollutant or contaminant (collectively "Regulated Materials"), (b) Mortgagor has not been charged with, or has received any notice that such Mortgagor is under investigation for, the failure to comply with any Environmental Requirement, nor has Mortgagor received any notice that Mortgagor has or may have any liability or responsibility under any Environmental Requirement with respect to the Premises or otherwise, (c) the Premises have never been used for (i) the storage, treatment, generation, transportation, processing, handling, production or disposal of Regulated Materials, except as permitted by law, (ii) a landfill or other waste disposal site or (iii) military purposes, (d) no underground storage tanks are located on the Premises, (e) the environmental media at the Premises do not contain Regulated Materials beyond any legally permitted level, (f) there has never been any release, threatened release, migration or uncontrolled presence of any Regulated Materials on, at or from the Premises or, to the knowledge of Mortgagor, within the immediate vicinity of the Premises and (g) Mortgagor has not received any notice of any such release, threatened release, migration or uncontrolled presence. Mortgagor shall not cause or permit the Premises to be used in any way that would result in any of the representations and warranties contained in the preceding sentence to be false or misleading at any future time. To the extent any such representation or warranty at any time is or becomes false or misleading, Mortgagor shall promptly notify Mortgagee thereof. If at any time Mortgagor obtains any evidence or information which suggests that potential environmental problems may exist on, at or about the Premises, Mortgagee may request Mortgagor, at Mortgagor's own cost and expense, to conduct and complete investigations, studies, sampling and testing with respect to the Premises requested by Mortgagee. Mortgagor shall promptly furnish to Mortgagee copies of all such investigations, studies, samplings and tests. Mortgagor shall (a) conduct and complete all such investigations, studies, samplings and testing, and all remedial, removal and other actions necessary with respect to the Premises, in accordance with all applicable Environmental Requirements and promptly furnish to Mortgagee copies of all documents generated in connection therewith and (b) defend, reimburse, indemnify and hold harmless Mortgagee, its employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, the violation of, or other liability or responsibility under, any Environmental Requirements, or the release, threatened release, migration or uncontrolled presence of any Regulated Materials on, at or from the Premises including attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. In the event this Mortgage is foreclosed, or Mortgagor tenders a deed in lieu of foreclosure which Mortgagee agrees to accept, Mortgagor shall be responsible to deliver the Premises to Mortgagee free of any and all Regulated Materials other than any that are (a) normally used in Mortgagor's business and (b) located and maintained thereon in compliance with all applicable Environmental Requirements and in a condition that conforms with all applicable Environmental Requirements. The provisions of this Section 26 shall be in addition to any and all other obligations and liabilities Mortgagor may have to Mortgagee at common law or any other agreement with Mortgagee, and shall survive the transactions contemplated in this Mortgage and the termination of this Mortgage.

27. EVENTS OF DEFAULT.

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

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

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

(iii) failure by Mortgagor to pay when due (whether at the stated maturity, by acceleration, upon demand or otherwise) any material indebtedness or obligation owing to any third party or any Affiliate, the occurrence of any event which could result in acceleration of payment of any such material indebtedness or obligation or the failure to perform any agreement with any third party or any Affiliate;

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

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

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

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

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

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

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

29. NOTICES. Any demand or notice hereunder or under any applicable law pertaining hereto (including Article 14 of New York Real Property Actions and Proceedings Law) shall be in writing and duly given if delivered to Mortgagor or to Mortgagee addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 29. Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal service and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (*e.g.*, Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Mortgagor and Mortgagee.

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

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

and

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

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

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

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

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

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

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

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

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

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

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

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

40. RECOURSE LIABILITY. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an **“Exculpated Party”**) shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Administrative Agent and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Administrative Agent or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this Section 40 shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees). Notwithstanding the foregoing provisions of this Section 40, each Exculpated Party shall be personally (and on a full recourse basis) liable for and shall indemnify and defend Administrative Agent and the Lending Group from and against, and shall hold Administrative Agent and the Lending Group harmless of, from and against any deficiency, liability, loss, damage, costs, and expenses (including legal fees and disbursements) suffered by Administrative Agent and/or the Lending Group and caused by, or arising out of or as a result of any of the following: (i) such Person’s commission of a criminal act, (ii) such Person’s failure to comply with the provisions of the Loan Documents prohibiting a transfer or Change of Control; (iii) such Person’s misappropriation of any cash flow or other revenue derived from or in respect of the Project, including security deposits, insurance proceeds, condemnation awards, or any rental, sales or other income derived directly or indirectly from the Project, or the misapplication of any of the foregoing sums, in either event, in contravention of any provision of this Mortgage or the other Loan Documents; (iv) such Person’s fraud or misrepresentation or inaccurate certification made at any time in connection with the Loan Documents or the Indebtedness; (v) such Person’s intentional interference with Administrative Agent’s (or the Lending Groups’) exercise of its rights under any of the Loan Documents; (vi) such Person’s intentional destruction or removal of fixtures or personal property securing the Obligations unless replaced by items of equal value and utility; (vii) such Person’s misapplication or misappropriation of funds disbursed from the Project Fund; (viii) such Person’s commissions of intentional waste to or of the Project or any portion thereof or failure to maintain the Project and the Premises in the manner required by the Loan Documents; (ix) failure to maintain the insurance coverage required by the Loan Documents; (x) failure to pay taxes, assessments and any other charges, including, without limitation, charges for labor or materials, which could result in prior liens against any portion of the Project; (xi) willful misconduct; (xii) Borrower files a voluntary petition under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiii) such Person files or joins in the filing of, or solicits or acts in concert with, or colludes or conspires with petitioning creditors with respect to, an involuntary petition against Borrower under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xiv) Borrower files an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Federal Bankruptcy Code or any other Federal or state bankruptcy or insolvency law; (xv) such Person consents to or acquiesces in or joins in an application for the appointment of a custodian, receiver, trustee, or examiner for Borrower or any portion of the Project; or (xvi) Borrower makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due.

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

42. MAXIMUM AMOUNT OF INDEBTEDNESS. Notwithstanding anything to the contrary in his Mortgage, the maximum aggregate principal amount of indebtedness that is, or under any contingency may be, secured by this Mortgage (including Mortgagor's obligation to reimburse advances made by Mortgagee), either at execution or any time thereafter is \$48,000,000.00 (the "Secured Amount"), plus amounts that Mortgagee has advanced to Mortgagor in accordance with the Loan Documents and that Mortgagee expends after a declaration of default under the Mortgage to the extent that any such amounts shall constitute payment of (i) taxes, charges or assessments that may be imposed by law upon the Premises; (ii) premiums on insurance policies covering the Premises; (iii) expenses incurred in upholding the lien of this Mortgage, including the expenses of any litigation to prosecute or defend the rights and lien created by this Mortgage; or, (iv) any amount, cost or charge to which Mortgagee becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority; then, in each such event, such amounts or costs, together with interest thereon, shall be added to the indebtedness secured hereby and shall be secured by this Mortgage.

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

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

Canarsie Plaza LLC

By: _____
Robert Masters
Senior Vice President

ACKNOWLEDGMENT

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

On the 12th day of January, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

MORTGAGE NOTE
New York

January 12, 2010

\$25,000,000.00

BORROWER (Name): CANARSIE PLAZA LLC

(Organizational Structure): limited liability company

(State Law organized under): Delaware

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

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

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

1. "Escrow" shall mean any escrow requirement under the Mortgage or the Loan Agreement for the payment of taxes and/or other charges.
2. "First Payment Date" shall mean the first day of March, 2010.
3. "Loan Agreement" shall mean the building loan agreement between Borrower and the Lender dated the date hereof in connection with the construction and mortgage financing of real property described in the Mortgage, as the same may be amended, modified or replaced from time to time.
4. "Loan Documents" shall mean this Note, the Loan Agreement, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Lender in connection with this Note.
5. "Maturity Date" is the earlier of (i) January 12, 2012; or (ii) any earlier date on which this Note is required to be paid in full, by acceleration or otherwise, under the Loan Agreement or any of the other Loan Documents.
6. "Mortgage" shall mean the mortgage dated on or about the date of this Note executed by Borrower, as the same may be amended, modified or replaced from time to time, securing obligations arising pursuant to or in connection with this Note.
7. "Principal Sum" shall mean Twenty Five Million Dollars (\$25,000,000.00).

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

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

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

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

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

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

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

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

Application of Payments. Payments may be applied in any order at the sole discretion of the Lender, but prior to an Event of Default or Maturity Date, each payment pursuant to this Note shall be applied first to accrued and unpaid interest, next to principal due, next to the Escrow, next to late charges, and finally to Expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recourse Liability. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "**Exculpated Party**") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Lender and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Lender or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this paragraph shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees).

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

Borrower: Canarsie Plaza LLC
Mortgage Note Original Principal Amount: \$25,000,000.00
Mortgage Note Date: January 12, 2010

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

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

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

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

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

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

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

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

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

Canarsie Plaza LLC

By: _____
Robert Masters
Senior Vice President

MORTGAGE NOTE
New York

January 12, 2010

\$23,000,000.00

BORROWER (Name): CANARSIE PLAZA LLC

(Organizational Structure): limited liability company

(State Law organized under): Delaware

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

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

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

1. "Escrow" shall mean any escrow requirement under the Mortgage or the Loan Agreement for the payment of taxes and/or other charges.
2. "First Payment Date" shall mean the first day of March, 2010.
3. "Loan Agreement" shall mean the building loan agreement between Borrower and the Lender dated the date hereof in connection with the construction and mortgage financing of real property described in the Mortgage, as the same may be amended, modified or replaced from time to time.
4. "Loan Documents" shall mean this Note, the Loan Agreement, the Mortgage, the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Borrower or the Lender in connection with this Note.
5. "Maturity Date" is the earlier of (i) January 12, 2012; or (ii) any earlier date on which this Note is required to be paid in full, by acceleration or otherwise, under the Loan Agreement or any of the other Loan Documents.
6. "Mortgage" shall mean the mortgage dated on or about the date of this Note executed by Borrower, as the same may be amended, modified or replaced from time to time, securing obligations arising pursuant to or in connection with this Note.
7. "Principal Sum" shall mean Twenty Three Million Dollars (\$23,000,000.00).

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

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

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

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

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

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

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

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

Application of Payments. Payments may be applied in any order at the sole discretion of the Lender, but prior to an Event of Default or Maturity Date, each payment pursuant to this Note shall be applied first to accrued and unpaid interest, next to principal due, next to the Escrow, next to late charges, and finally to Expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recourse Liability. No past, present or future member, or any past, present or future shareholder, partner, member, officer, employee, servant, executive, director, agent, authorized representative or affiliate of Borrower or any member of Borrower, (each such Person, an "**Exculpated Party**") shall be personally liable for payments due hereunder or under any other Loan Document or for the performance of any obligation, or breach of any representation or warranty made by Borrower hereunder or thereunder. The sole recourse of the Lender and the Lending Group for satisfaction of the obligations of Borrower hereunder and under any other Loan Document shall be against Borrower and its assets and not against any assets or property of any such Exculpated Party other than the direct or indirect ownership interest of such Exculpated Party in Borrower. In the event that an Event of Default occurs in connection with such obligations, no action shall be brought against any such Exculpated Party by virtue of its direct or indirect ownership interest in Borrower. In the event of foreclosure or other sale or disposition of the Premises, no judgment for any deficiency upon the obligations hereunder or under any other Loan Document shall be obtainable by the Lender or the Lending Group against any such Exculpated Party. Notwithstanding the foregoing, nothing in this paragraph shall affect or diminish the obligations of Borrower or Guarantor under or in respect of each Loan Document to which it is a party, including the Guarantees (including the right to name any Guarantor in any foreclosure action in connection with its obligations under the Guarantees).

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

Borrower: Canarsie Plaza LLC
Mortgage Note Original Principal Amount: \$23,000,000.00
Mortgage Note Date: January 12, 2010

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

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

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

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

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

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

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

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

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

Canarsie Plaza LLC

By: _____
Robert Masters
Senior Vice President



BUILDING LOAN AGREEMENT

Date: January 12, 2010

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

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

WHEREAS, the Borrower has applied to M&T for a development loan (hereinafter the "Construction Loan") in the principal sum of up to **Forty Eight Million Dollars (\$48,000,000.00)** (the "Loan Amount") with an option to modify to a mini-permanent mortgage loan (hereinafter the "Permanent Loan") (the Construction Loan and the Permanent Loan are referred to collectively herein as the "Loan"), provided, however, that up to \$23,000,000.00 will be lent by the Co-Lender and up to \$25,000,000 will be lent by M&T to be evidenced by certain notes made by the Borrower on or about the date of this Building Loan Agreement (the "Agreement") and secured by a certain mortgage dated the same date given by the Borrower, creating liens on the premises described in Schedule "A" attached;

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

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

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

1.2 **Advance Request:** A request of the Borrower for an Advance in form and substance satisfactory to the Administrative Agent and signed by the person authorized to execute such request on behalf of the Borrower, a form of which is attached as Exhibit D hereto.

1.3 **Architect:** The architect specified as such on Exhibit A attached to and made a part of this Agreement, or such other architect as is engaged by the Borrower and approved by the Administrative Agent.

1.4 **Building Loan:** That portion of the Construction Loan, in the principal sum of up to **Forty Eight Million Dollars (\$48,000,000.00)**, to be used by the Borrower to pay Project Costs.

1.5 **Completion Date:** The date specified as such on Exhibit A attached to and made a part of this Agreement.

1.6 **Completion of Construction:** The date when Borrower has satisfied all of the conditions set forth in Section 7.3(a) hereof.

1.7 **Construction Contract:** The agreement between the Borrower and the Construction Manager for the rendering of all services and the furnishing of all materials for the construction of the Improvements, together with any other or additional construction contracts entered into in connection with the construction of the Improvements, in all cases satisfactory in form and substance to the Administrative Agent.

1.8 **Construction Documents:** The Construction Contract and all subcontracts and related documents.

1.9 **Construction Manager:** The contractor specified as such on Exhibit A attached to and made a part of this Agreement, or such other Construction Manager or general contractor, as the case may be, as is engaged by the Borrower and approved by the Administrative Agent.

1.10 **Conversion Date:** The Maturity Date, if the Borrower has satisfied all of the conditions set forth in Section 7.3 of this Agreement.

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

1.12 **Event of Default:** The occurrence of any event described in Section 8.1 hereof.

1.13 **Final Advance Date:** The date specified as such on Exhibit A attached to and made a part of this Agreement.

1.14 **Force Majeure:** With respect to the obligations of Borrower, actual delay beyond the reasonable control of Borrower, which is due to any of the following (a) natural disaster, fire or other casualty, earthquake, flood, explosion, abnormally inclement weather for the season in question (as reported by an appropriate authority) or any other act of God, (b) declared or undeclared war, acts of domestic or international terrorism, riot, mob violence, insurrection or sabotage, (c) the inability to procure labor, equipment, facilities, energy, materials or supplies, the failure of transportation, any other labor disturbance, strikes, lockouts or actions of labor unions, in each such case, so long as such cause is not within the reasonable control of Borrower, (d) condemnation, temporary restraining orders or injunctions, changes after the date hereof in the requirements or interpretations of relevant laws, in each such case, so long as such cause is not within the reasonable control of Borrower, or (e) any other cause not within the reasonable control of Borrower; provided that, with respect to any of the circumstances described in the foregoing clauses (a) through (e) inclusive: (i) for the purposes of this Agreement, any period of Force Majeure shall apply only to Borrower's performance of the obligations necessarily affected by such circumstance and shall continue only so long as Borrower is continuously and diligently using all reasonable efforts to minimize the effect and duration thereof; and (ii) notwithstanding the foregoing, Force Majeure shall not include (A) the unavailability or insufficiency of funds as a result of the insolvency of Borrower or any of its Affiliates, (B) any breach of contract or default by the Architect, the Construction Manager under or any Major Subcontractor their respective contracts and agreements concerning the Improvements.

1.15 **Governmental Authority:** The United States of America, the State of New York, the county and municipality specified as such on Exhibit A attached to and made a part of this Agreement, and any political subdivision of any of them, and any agency, department, court, commission, board, bureau or instrumentality of any of them which exercises jurisdiction over the Land, the Improvements, the Project or the Borrower.

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

1.17 **Improvements:** All buildings, structures and other improvements on the Land and the improvements to be constructed on the Land specified as such on Exhibit A attached to and made a part of this Agreement.

1.18 **Land:** The approximate acreage of real property specified as such on Exhibit A attached to and made a part of this Agreement, together with all easements and other rights appurtenant thereto, located at the address specified as such on Exhibit A attached to and made a part of this Agreement, more particularly described in Schedule A to the Mortgage.

1.19 **Lender's Consultant:** The construction consultant specified as such on Exhibit A attached to and made a part of this Agreement, or such other construction consultant as is engaged by the Administrative Agent.

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

1.21 **Major Subcontract:** any contract in excess of One Million Dollars (\$1,000,000.00).

1.22 **Major Subcontractor:** Each Subcontractor or materialman whose contract is a Major Contract.

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

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

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

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

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

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

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

- 1.30 **Plans and Specifications:** The construction drawings and specifications for the Improvements to be constructed prepared by the Architect and to be submitted by the Borrower and approved by the Administrative Agent and by the Lender's Consultant; and all amendments and modifications thereof approved by the Administrative Agent and by the Lender's Consultant.
- 1.31 **Project:** The Improvements existing, proposed to be constructed and actually constructed on the Land, related soft costs and an interest reserve.
- 1.32 **Project Costs:**
- 1.32.1 all costs of engineering and architectural services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion of the Project;
- 1.32.2 all costs paid or incurred for labor; materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;
- 1.32.3 all costs of surety bonds and of insurance that may be required or necessary during the period of Project construction;
- 1.32.4 all costs of title insurance;
- 1.32.5 the interest due and payable on the Building Loan during the construction of the Project;
- 1.32.6 all costs which the Borrower shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Borrower for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project; and
- 1.32.7 all other costs and expenses relating to the completion of the Project constituting "cost of improvement" under the New York Lien Law.
- 1.33 **Project Fund:** The fund established by the Borrower with the Administrative Agent pursuant to Section 7.4 of this Agreement.
- 1.34 **Scheduled Maturity Date:** January 12, 2012.
- 1.35 **Subcontractor:** Each subcontractor or materialman engaged to perform work, labor or services or to furnish materials, supplies or equipment in connection with the Project.
- 1.36 **Survey:** A plan of the Land, in form and substance satisfactory to the Administrative Agent; prepared by a surveyor registered in the State of New York and approved by the Administrative Agent and certified to the Administrative Agent and to the Title Insurer.
- 1.37 **Title Insurance Policy:** The title insurance policy required by Section 7.1 of this Agreement.
- 1.38 **Title Insurer:** The issuer of the Title Insurance Policy.

1.39 **Utility Company:** Any Person who constructs or installs a Utility Service.

1.40 **Utility Service:** Any utility service necessary for the construction of the Improvements and the development and planned use of the Project including, without limitation, sanitary sewer; storm sewer; water; electricity, gas and telephone service.

2. THE BUILDING LOAN.

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

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

3. **REPRESENTATIONS AND WARRANTIES.** Except as fully and accurately described in Exhibit A attached to and made a part of this Agreement, the Borrower represents and warrants that:

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

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

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

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

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

3.6 **Plans and Specifications.** (i) The Plans and Specifications have been delivered to, reviewed by and approved by the Architect and, to the extent required, by any Governmental Authority or other Person and (ii) the construction of the Improvements and the planned development and use of the Project comply in all material respects with all applicable statutes, regulations and other laws (including, without limitation, all applicable zoning codes and ordinances and environmental, ecological and landmark laws) and all applicable deed restrictions.

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

3.8 **Utilities.** All Utility Services are or will be following Completion of Construction, available at reasonable expense and at the title lines of the Land.

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

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

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

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

3.13 **Sufficiency of Project Budget.** The amounts set forth in the final detailed construction budget (hard and soft costs), construction schedule for the Project and estimated draw schedule (collectively, the "**Project Budget**") present a full and complete itemization by category of all Project Costs, including all costs, expenses and fees which Borrower expects to pay or incur or anticipates becoming obligated to pay or incur to complete the Project. Borrower is unaware of any other such costs, expenses or fees which are material and are not covered by the Project Budget.

3.14 **Affirmation of Representations and Warranties.** Each Advance Request presented to the Administrative Agent in accordance with Section 7 of this Agreement shall constitute an affirmation by the Borrower that the representations and warranties made in this Section remain true and correct as of the date of such Advance Request.

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

4.1 **Accounting.** Maintain true and correct financial books and records on a GAAP basis for the Project and maintain adequate reserves for all contingencies. If requested by the Administrative Agent, the Borrower shall submit to the Administrative Agent at such times as the Administrative Agent shall request a statement that accurately details the application of all proceeds of the Building Loan and other funds expended to date in connection with the development of the Project, as well as the Borrower's best estimate of the funds needed to complete the development of the Project (including all direct and indirect costs associated therewith) and the source of those funds.

4.2 **Insurance.** (a) Maintain in full force and effect all insurance in connection with the construction of the Improvements required by law or reasonably requested by the Administrative Agent; including, without limitation, public liability insurance, owners and contractors protective liability coverage, property damage insurance, workers compensation insurance and builder's risk insurance. Such insurance shall be provided in such amounts, for such periods, in such form, with such special endorsements, on such terms and by such insurers as shall be reasonably satisfactory to the Administrative Agent; with the Administrative Agent being named as an additional insured under any liability policy and a mortgagee under any hazard policy. The approval by the Administrative Agent of such insurance shall not be deemed or construed as an approval by the Administrative Agent of the form, sufficiency or amount of such insurance. The Administrative Agent does not in any way represent that such insurance, whether in scope or coverage or limits of coverage, is adequate or sufficient to protect the business or interest of the Borrower.

(b) At Borrower's cost and expense, submit to Administrative Agent **by January 31, 2010**, at MANUFACTURERS AND TRADERS TRUST COMPANY, 303 South Broadway, Suite 130, Tarrytown, New York 10591, Attention: John Stroligo, Vice President and at CAPITAL ONE, N.A., Commercial Real Estate, 275 Broadhollow Road, P.O. Box 8914, Melville, NY 11747, Attention: Peter Welch, Senior Vice President, the following documentation with respect to each and every Major Subcontractor:

- a) A copy of a bond for such Major Subcontractor issued in the last six months from the date hereof; or
- b) A letter evidencing the existence of a bonding line for such Major Subcontractor; or
- c) Copies of satisfactory, in the sole reasonable discretion of the Administrative Agent and the Co-Lender, financial statements for such Major Subcontractor.

If none of these items listed in (a) through (c) are available for a particular Major Subcontractor, then Borrower must provide a satisfactory written explanation, in the sole reasonable discretion of the Administrative Agent and the Co-Lender setting forth why such Major Subcontractor should be accepted by the Administrative Agent and the Co-Lender.

4.3 **Cooperation.** Cooperate at all times in bringing about the timely Completion of Construction and resolve all disputes arising during the construction of the Improvements in a manner that will allow work to proceed expeditiously in order to complete the Improvements on or before the Completion Date.

4.4 **Expenses.** Pay to the Administrative Agent, the Co-Lender or their respective agents on demand each cost and reasonable expense, in excess of fees otherwise payable, incurred by the Administrative Agent, the Co-Lender or their respective agents in connection with the making, disbursement and administration of the Building Loan, the exercise of any of their respective rights or remedies under the Loan Documents, and any other matters related to the transactions contemplated hereby, including but not limited to charges and expenses of the Title Insurer relating to the examination of title, title insurance premiums, title continuation and other lien searches, settlement and escrow charges, recording charges, transfer; documentary, ad valorem and mortgage taxes, attorneys' fees and disbursements, fees and disbursements of the Lender's Consultant and all other reasonable fees for services. If not paid by the Borrower promptly, the amount of such costs and expenses may be deducted by the Administrative Agent from monies to be advanced under this Agreement. Promptly pay, out of Borrower's personal funds and not out of any Advance, for any and all cost overruns, change orders and Borrower upgrades as they occur, in excess of the amount allocated to such Line Item, as defined herein. The provisions of this paragraph shall survive the termination of this Agreement and the repayment of the Building Loan.

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

4.6 **Application of Loan Proceeds.** Apply the proceeds of the Building Loan only to pay Project Costs; provided, however, that nothing in this Agreement is intended to negate or supersede the trust fund provisions of Section 13 of the New York Lien Law to which the Building Loan is subjected pursuant to the provisions of Section 10.1 of this Agreement.

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

4.8 **Notices.** Forward to the Administrative Agent copies of all notices given or received by the Borrower to or from the Architect, the Lender's Consultant, the Construction Manager, any Subcontractor or any Governmental Authority with respect to the Project (including, without limitation, notices of nonconforming construction and notices of inability to perform the terms of any contract or agreement), any tenants at the Premises (as the term is defined in the Mortgage), promptly upon the giving or receipt of such notice.

4.9 **Signs and Publicity.** Promptly upon request by the Administrative Agent and the Co-Lender, to the extent permitted by law, construct and erect a sign upon the Land disclosing that the Administrative Agent and the Co-Lender are providing the financing for the construction of the Improvements, which sign shall be constructed, located and erected in accordance with the Administrative Agent's reasonable specifications therefor provided however that the cost of such sign shall not exceed \$2,000.00. The Administrative Agent and the Co-Lender shall have the right to use the name of the Project and the Borrower in any publicity or advertising prepared by the Administrative Agent or the Co-Lender.

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

4.11 **Guarantor Covenants.** During the term of this Agreement, the Guarantor shall be required to comply with the following covenants:

a. Guarantor shall, at all times, maintain unencumbered Liquid Assets of not less than \$5,000,000.00 and Net Worth of not less than \$125,000,000. "Liquid Assets" shall mean the sum of all cash, time deposits, marketable securities and unfunded capital commitments (net of the then outstanding balance of Guarantor's subscription line of credit) (the "**Unfunded Capital Commitments**"). In the event a Guarantor investor (a "**Defaulting Investor**") fails to make any required capital contribution or notifies Guarantor that it will no longer fund its committed capital contributions (in each case, a "**Defaulted Funding**"), then the amount of Unfunded Capital Commitments shall be reduced by the amount of the Defaulting Investor's remaining unfunded capital commitment. Notwithstanding anything herein to the contrary, in the event any other guarantor investor (the "**Curing Investor**") cures a Defaulted Funding, then the Unfunded Capital Commitments shall include said the Defaulting Investor's remaining unfunded capital commitment. "Net Worth" shall mean the sum of all assets minus the sum of all liabilities. "Net Worth" will include all unfunded capital commitments.

b. Guarantor shall, measured semi-annually on the dates listed below and thereafter on each June 30 and December 31 for the term of the Construction Loan, maintain a minimum debt service coverage ratio ("**Guarantor DSCR**") as set forth below:

<u>Date:</u>	<u>Minimum Guarantor DSCR:</u>	<u>Net Operating Income ("NOI") Criteria:</u>
12/31/09	1.05:1	Includes all signed leases in place & annualized 4th quarter expenses
6/30/10	1.15:1	Includes all signed leases in place & annualized 6- month 2010 expenses
12/31/10 until the Maturity Date	1.25	Includes all signed leases in place & 2010 actual expenses

Guarantor DSCR is defined as the ratio of NOI to Total Annual Debt Service (based upon actual debt service payments pursuant to existing loan agreements). "Total Annual Debt Service" will not include interest on the subscription line (so long as there exists no Defaulted Funding), construction loans (including that certain loan made by Bear Stearns Commercial Mortgage, Inc. to Acadia Atlantic Avenue LLC on December 26, 2007 in connection with the real property located at 3319 Atlantic Avenue, Brooklyn, New York), development loans and land loans with an adequate remaining interest reserve in place. Calculation of the Guarantor DSCR will be delivered within sixty (60) days of the above indicated dates and shall be accompanied by a compliance certificate signed by an officer of the Guarantor.

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

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

- 5.1 **Assignment.** Assign any Loan Document or any Construction Document except as herein or therein provided.
- 5.2 **Priority.** Allow the Mortgage to cease being a valid first mortgage lien on the Land, the Improvements or the Project.
- 5.3 **Encroachments.** Allow the Improvements to encroach upon any street or adjoining property or upon any easement or right-of-way.

6. **CONSTRUCTION MATTERS AND COVENANTS.**

6.1 **Construction.**

6.1.1 The Borrower has commenced the construction of the Improvements and shall substantially complete all such construction on or before the Completion Date;

6.1.2 The Borrower shall diligently prosecute the substantial construction of the Improvements in accordance with the Plans and Specifications and the schedule set forth in the Project Budget, in a good and workmanlike manner and in full compliance with all requirements of any Governmental Authority and the appropriate board of fire underwriters or similar body acting in and for the locality in which the Project is located;

6.1.3 No changes in the Plans and Specifications or the other Construction Documents shall be effective unless approved in writing by the Lending Group, which approval shall not be unreasonably withheld or delayed. The Borrower shall obtain all additional approvals required from other Persons of any changes in the Plans and Specifications or the other Construction Documents. The Administrative Agent shall have ten (10) Business Days after receipt by it and by the Lender's Consultant of all documentation pertaining to any change referred to in this subsection within which to evaluate any such change, and will not be required to consider approving any such change unless all additional approvals which, in the Administrative Agent's reasonable judgment, are required from other Persons have been obtained. The Administrative Agent shall promptly notify Borrower of additional approvals it deems necessary, in its reasonable judgment. If the Administrative Agent in its reasonable judgment determines that any change may increase the cost of the construction of the Improvements, the Administrative Agent may require the Borrower to deposit additional funds with the Administrative Agent sufficient to cover such increased costs as a condition to giving its approval, such funds to be held by the Administrative Agent and disbursed in the same manner as an Advance pursuant to Section 7 of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, the Administrative Agent hereby consents to change orders authorized in writing by the Borrower provided that, with respect to each such change order (a) the change order does not require further approval from any Governmental Authority, (b) the cost of any such individual change order does not exceed \$100,000.00 and the aggregate of all change orders does not exceed \$1,500,000.00 (c) such change does not materially diminish the value of the Improvements, and (d) there is no Event of Default then in existence under any of the Loan Documents, provided further that the Administrative Agent shall have received an opinion of the Lender's Consultant that such change order (X) does not materially alter the material elements of the Project, and (Y) is a reasonable estimate of the proposed changes. No consent by the Administrative Agent to any such change order shall be deemed to increase the amount of the Loan or to extend the Completion Date. Upon the request of the Borrower, the Administrative Agent will reasonably consent to the re-allocating of sums in the Line Items on the Project Budget, provided however that all change orders shall be funded only from the contingency. In no event, however, shall any re-allocation result in a violation of the Lien Law of the State of New York. It is specifically understood between the parties hereto that the closing of a Line Item after completion of all work covered therein must be approved in writing by the Lending Group, which approval shall not be unreasonably withheld or delayed provided that the Administrative Agent has received an opinion of the Lender's Consultant after inspection of the work that the Lender's Consultant approves of the closing of such Line Item and any sums remaining in a closed Line Item shall be re-allocated to the contingency; and

6.1.4 The Borrower shall promptly comply, and cause the Construction Manager and each Subcontractor to promptly comply, with all instructions of the Architect and the Lender's Consultant relating to the Project in accordance with the Construction Documents and the terms and conditions of this Agreement.

6.2 Construction Documents.

6.2.1 As additional security for the obligations secured by the Mortgage, the Borrower hereby transfers and assigns to the Administrative Agent all of the Borrower's right, title and interest in and to the Construction Documents, and all copies thereof, subject to the limitations on the Administrative Agent's responsibility as hereinafter set forth;

6.2.2 Anything herein contained to the contrary notwithstanding, (A) the Borrower shall remain liable under the Construction Documents to perform all of the Borrower's obligations thereunder in accordance with and pursuant to the terms and provisions thereof, (B) the obligations of the Borrower under the Construction Documents may be performed by the Administrative Agent or its assignee without releasing the Borrower therefrom and without resulting in any assumption of said obligations by the Administrative Agent or its assignee, and (C) the Administrative Agent shall have no obligation or liability under the Construction Documents by reason of or arising out of the assignment contained in this Agreement, nor shall the Administrative Agent be required or obligated in any manner to perform or fulfill any obligations of the Borrower under or pursuant to the Construction Documents including, without limitation, the Borrower's obligation to pay the Construction Manager; and

6.2.3 The Administrative Agent is irrevocably and unconditionally authorized to take, and the Borrower irrevocably and unconditionally appoints the Administrative Agent as the attorney-in-fact of the Borrower, with full power of substitution and of revocation, to take, upon the existence of an Event of Default, in the name of the Borrower or otherwise at the sole option of the Administrative Agent, each action relating to the Construction Documents that, subject to this Agreement, the Borrower could take in the same manner, to the same extent and with the same effect as if the Borrower were to take such action. Such power of attorney is coupled with an interest in favor of the Administrative Agent. Without limiting the generality of the first sentence of this subsection, pursuant to such authorization and as such attorney-in-fact, the Administrative Agent may, in the name of the Borrower or otherwise at the sole option of the Administrative Agent (A) make, execute, complete and deliver to the Construction Manager and the Architect all such documents as the Administrative Agent shall consider reasonably necessary or appropriate to complete the construction of the Improvements under the Construction Documents, (B) make all payments to the Construction Manager as the Administrative Agent shall consider reasonably necessary or appropriate under the Construction Documents, (C) file any claims or take any actions or institute any proceedings which the Administrative Agent may deem to be reasonably necessary or appropriate in connection with the Construction Documents, and (D) generally, do, execute and perform any other act, matter or thing whatsoever that, in the good faith reasonable opinion of the Administrative Agent, ought to be done, executed and performed in connection with the Construction Documents, as fully as the Borrower could do in such situation.

6.3 **Contractors and Subcontractors.**

6.3.1 In connection with each monthly Advance Request, the Borrower shall promptly furnish to the Administrative Agent and the Lender's Consultant (A) a list of all unpaid bills with respect to any work, labor or services or the furnishing of any materials, supplies or equipment in connection with the construction of the Improvements and (B) upon the request of the Administrative Agent, certificates or acknowledgments of payment with respect to any such work, labor or services fully performed or any such materials, supplies or equipment furnished.

6.3.2 The Borrower shall furnish, or cause the Construction Manager to furnish, to the Administrative Agent and the Lender's Consultant for prior approval using reasonable discretion, the name and address of each proposed Subcontractor whose contract exceeds Fifty Thousand Dollars (\$50,000.00) and a copy of the proposed form of each subcontract.

6.4 **Inspection and Right to Stop Funding.**

6.4.1 The Administrative Agent and the Lender's Consultant shall have the right on reasonable notice during normal business hours to enter the Land and the Improvements and inspect the construction and all other matters relating to the construction of the Improvements. The Administrative Agent shall also have the right on reasonable notice during normal business hours to examine, copy and audit the books, records, accounting data and other documents of the Borrower, the Construction Manager and each Subcontractor relating to the construction of the Improvements;

6.4.2 The Administrative Agent shall be under no duty to examine, supervise or inspect the Plans and Specifications or the construction of the Improvements or to examine any books, records, accounting data or other documents. Any inspection or examination by the Administrative Agent is for the sole purpose of protecting the Administrative Agent's security and preserving the Administrative Agent's rights under this Agreement. No default by the Borrower will be waived by any such inspection or examination. In no event will any such inspection or examination be a representation by the Administrative Agent that there has been or will be compliance with the Plans and Specifications or that the construction is free from defective materials or workmanship; and

6.4.3 If the Administrative Agent in good faith reasonably believes that (A) any work or materials do not conform to the Plans and Specifications or sound building practice or otherwise depart from any of the requirements of this Agreement, (B) the consent of any Person as to any aspect of the construction of the Improvements is required, but has not been obtained, (C) the amount remaining in the Construction Loan will not be sufficient to complete the Project, or (D) there has occurred or exists an Event of Default, the Administrative Agent may withhold subsequent Advances until such matter is corrected to the extent necessary under the terms of this Agreement. In such event, the Borrower shall promptly correct such matter. Any such action by the Administrative Agent shall not affect the Borrower's obligations to complete the Improvements on or before the Completion Date.

6.5 **Protection Against Lien Claims.** The Borrower shall promptly pay and discharge all charges for the performance of any work, labor or services or the furnishing of any materials, supplies or equipment in connection with the construction of the Improvements, and shall promptly notify the Administrative Agent in writing of any dispute with the Construction Manager or any Subcontractor.

7. DISBURSEMENT MATTERS.

7.1 **Conditions Precedent to the First Advance.** The obligation of the Administrative Agent under this Agreement to make the first Advance is subject to the fulfillment of the following conditions to the reasonable satisfaction of the Administrative Agent or its agents, in their sole discretion:

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

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

7.1.3 The Borrower shall have delivered to the Administrative Agent a print of a currently dated Survey, showing the Project to be free from questions of encroachment, except those that are set forth on that certain survey by Control Point Associates, Inc. dated January 11, 2010, any existing Improvements, the dimensions and total square foot area of the Improvements to be constructed, the location of any footings and foundations of the Improvements to be constructed, all interior lot lines, easements and rights-of-way of record, parking areas, all adjoining public streets and such other information as the Administrative Agent or the Title Insurer may reasonably require;

7.1.4 The Borrower shall have delivered to the Administrative Agent copies of current receipted tax bills for the Land;

7.1.5 The Borrower shall have delivered to the Administrative Agent the Title Insurance Policy insuring title to the Land in accordance with the terms of the Mortgage and the Administrative Agent's interest therein as a valid and enforceable first mortgage lien, subject only to exceptions approved by the Administrative Agent and containing (A) full coverage against mechanics' liens, (B) no survey exceptions except those theretofore approved by the Administrative Agent and, if such Title Insurance Policy is dated earlier than the date of the first Advance, a continuation of or endorsement to such Title Insurance Policy, in a form approved by the Administrative Agent; setting forth no additional exceptions except those approved by the Administrative Agent;

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

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

7.1.8 The Borrower shall have delivered to the Administrative Agent a copy of the policies of insurance, including workman's compensation and builder's risk required under this Agreement, the Mortgage or any of the other Loan Documents, together with a certificate from each of the insurers which issued such policies to the effect that each of such policies is in full force and effect on or prior to the date of this Agreement and that the current premiums for such policies have been paid in full for a period of not less than one year from the date of this Agreement;

7.1.9 The Borrower shall have delivered to the Administrative Agent an opinion of counsel satisfactory to the Administrative Agent and an opinion of zoning counsel satisfactory to the Administrative Agent and Administrative Agent's counsel;

- 7.1.10 The Borrower shall have delivered to the Administrative Agent copies of all soil analysis reports, all soil compaction tests, all environmental reports or statements and all other tests prepared or performed with respect to the Project in Borrower's possession;
- 7.1.11 The Borrower has not received and has no reason to believe that there is a cease and desist order from any Governmental Authority;
- 7.1.12 The Administrative Agent's security interest in all personal property described in the Mortgage, this Agreement or any of the other Loan Documents shall have been duly perfected and shall be in a first lien position;
- 7.1.13 The Borrower shall have delivered to the Administrative Agent copies of (A) its certificate of formation and other organizational documents and (B) evidence of the taking of each action of the Borrower or of any other Person necessary to authorize the execution, delivery and performance of the Loan Documents;
- 7.1.14 No event shall have occurred which constitutes or which, with the giving of notice or the lapse of time or both, would constitute an Event of Default;
- 7.1.15 The Borrower shall have delivered to the Administrative Agent evidence satisfactory to the Administrative Agent, the Architect and the Lender's Consultant that all utilities, including water, electric, gas and telephone, and all storm and sanitary sewer drainage facilities are available at the Land for utilization by the Borrower for the development and use of the Project;
- 7.1.16 The Borrower shall have delivered to the Administrative Agent copies of all licenses, permits, consents, approvals and authorizations described in Section 3.5 of this Agreement theretofore obtained and any additional information reasonably requested by the Administrative Agent with respect thereto;
- 7.1.17 The Borrower shall have delivered to the Administrative Agent to its satisfaction of Project Budget as the Loan proceeds will be allocated to specific line items (a "**Line Item**"). Such Project Budget shall contain an amount sufficient to cover interest payments required pursuant to the Construction Loan (the "**Interest Reserve**"). If the amount in the Project Budget allocated for the Interest Reserve is depleted at any time during the term of the Building Loan, the Administrative Agent and the Borrower shall agree on the amount that Borrower must deposit in an account with the Administrative Agent to be held in escrow by the Administrative Agent for the Interest Reserve to be used for future monthly payments of interest on the Building Loan. If, at any time, the Administrative Agent determines that the amount remaining in the Construction Loan will not be sufficient to complete the Project, the Administrative Agent and the Borrower shall agree on the amount that Borrower must contribute prior to any future Advances;
- 7.1.18 The Borrower shall have delivered to the Administrative Agent evidence that seventy-five percent (75%) of the hard costs set forth in the Project Budget are "bought out" or subject to executed contracts;
- 7.1.19 The Borrower shall have delivered to the Administrative Agent evidence satisfactory to the Administrative Agent and the Lender's Consultant that Borrower has invested a minimum of the lesser of Thirty Two Million Fifty One Thousand Three Hundred Thirty Three Dollars (\$32,051,333.00) or 40% of the Project Budget if the Project Budget is revised because the Major Contracts are fully executed, *provided, however that*, if the Borrower shall notify the Administrative Agent within ninety (90) days of the date of this Agreement that the Borrower shall NOT develop the 43,000 square feet of the Property not subject to current leases and thus the Project Budget shall be reduced, in that case, the Borrower equity contribution requirement shall be reduced to such amount that is the same percentage of the Project Budget as Thirty Two Million Fifty One Thousand Three Hundred Thirty Three Dollars (\$32,051,333.00) was to the initial Project Budget. **In no event shall the entire maximum principal amount of the Construction Loan exceed the lesser of (x) \$48,000,000.00, or (y) sixty percent (60%) of the total verified project costs as set forth in the Project Budget, which may have been reduced as set forth above, or (z) sixty percent (60%) of the appraised fair market as-built and stabilized value of the Project, as determined by an MAI appraisal in form and substance satisfactory to the Administrative Agent in its sole discretion;**

7.1.20 The Administrative Agent shall have received an opinion of the Lender's Consultant that (a) the anticipated delivery date of the premises required pursuant to that certain Lease, dated March 12, 2009 (the "**BJ Lease**") by and between the Borrower and BJ'S Wholesale Club, Inc. ("**BJ'S**") which may have been extended with the consent of BJ'S (the "**BJ Delivery Date**") will be met and that the BJ Delivery Date will not exceed the Final Advance Date, and (b) the anticipated delivery date of the premises required pursuant to that certain Lease, dated as of November 5, 2009 (the "**NYC Lease**") by and between the Borrower and The City of New York acting through the Department of Citywide Administrative Services ("**NYC**") which may have been extended with the consent of NYC (the "**NYC Delivery Date**") will be met and that the NYC Delivery Date will not exceed the Final Advance Date; and

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

7.2 **Conditions Precedent to Subsequent Advances.** The obligation of the Administrative Agent under this Agreement to make any Advance subsequent to the first Advance is subject to the fulfillment of the following additional conditions to the reasonable satisfaction of the Administrative Agent or its agents, in their sole discretion:

7.2.1 All of the conditions precedent to the first Advance set forth in Section 7.1 of this Agreement shall have been satisfied as of the date any subsequent Advance is requested;

7.2.2 If requested by the Administrative Agent or the Title Insurer; the Borrower shall have delivered to the Administrative Agent a print of an updated Survey dated or redated to such dates as the Administrative Agent or the Title Insurer may require, showing that the Improvements are being constructed solely on the Land and within all applicable building set-back lines and other restrictions and do not encroach upon or overhang any land not subject to the Mortgage nor upon any easement or right-of-way and showing such other items as the Administrative Agent or the Title Insurer may from time to time reasonably require;

7.2.3 The Administrative Agent shall have received a notice of title continuation or an appropriate endorsement, conforming to the requirements of the Title Insurance Policy, indicating that the Mortgage is insured to the extent of all prior Advances funded by the Administrative Agent and that there has been no change in the state of title theretofore approved by the Administrative Agent, which notice or endorsement shall be binding on the Title Insurer to the extent of the aggregate of all Advances previously funded and the Advance to be funded in reliance thereon;

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

7.2.5 The Borrower shall have delivered to the Administrative Agent such documentation substantiating the basis for such request as the Lender's Consultant and the Administrative Agent may reasonably require, together with (A) certificates or acknowledgments of payment from the Construction Manager and all Subcontractors with respect to all sums due to them for work, labor or services performed or materials, supplies or equipment furnished in connection with the construction of the Improvements as of the date of the preceding disbursement, (B) releases of lien from all Subcontractors who have fully performed the terms of their respective Subcontracts as of the date of the preceding disbursement and if any amount of such Advance is for a final payment to such Subcontractor then such Subcontractor must present such release of lien as a final lien waiver, and (C) if requested by the Administrative Agent; releases of lien from all other Subcontractors with respect to work performed and materials furnished as of the date of the preceding disbursement;

7.2.6 The Improvements theretofore constructed shall have been constructed in accordance with the Plans and Specifications and all statutes, regulations and other laws and all licenses, permits, consents, approvals and authorizations required by any Governmental Authority or by any applicable board of fire underwriters or similar bodies acting in and for the locality in which the Project is located, without any departure therefrom unless otherwise approved by the Administrative Agent; and certificates of the Architect and the Lender's Consultant to such effect shall have been delivered to and approved by the Administrative Agent;

7.2.7 The business and financial condition of the Borrower shall not have been materially adversely affected in any way; and

7.2.8 The Architect and Lender's Consultant shall have inspected the Improvements and found them to conform to the requirements of this Agreement (such inspections being exclusively for the benefit of Administrative Agent and not for the benefit of Borrower or any other Person).

7.3 **(a) Conditions Precedent to the Final Advance.** The obligation of the Administrative Agent under this Agreement to make the final Advance is subject to the fulfillment of the following additional conditions to the reasonable satisfaction of the Administrative Agent or its agents, in their sole discretion:

7.3.1 All of the conditions precedent to all prior Advances set forth in Sections 7.1 and 7.2 of this Agreement shall have been satisfied as of the date the final Advance is requested;

7.3.2 The Administrative Agent and Lender's Consultant have received and approved (a) the evidence from the Architect and engineer of record that they have inspected the improvements at the Project and found them to conform to the requirements and the Plans and Specifications and to be substantially complete and lien-free and operating, and (b) the certificate of occupancy for the entire Project or a temporary certificate of occupancy sufficient to permit use of the Improvements in the opinion of the Lender's Consultant, furthermore, if, in the opinion of Lender's Consultant, there are costs necessary to obtain a certificate of occupancy a reserve account in an amount acceptable to the Lender's Consultant and the Lending Group shall be established;

7.3.3 The Administrative Agent shall have received an "as built" Survey showing the location of all Improvements, easements, rights-of-way and other matters affecting the Project, if so requested by the Administrative Agent; and

7.3.4 The Administrative Agent shall have received final releases of lien from the Construction Manager and all Subcontractors, in such form as shall be reasonably satisfactory to Administrative Agent, with respect to all sums due to them for work, labor or services performed, or materials, supplies or equipment furnished in connection with the construction of the Improvements.

7.3 (b) **Conditions Precedent to Conversion to the Permanent Loan.** Provided that Borrower has satisfied all of the conditions set forth above in Section 7.3(a) together with all of the following conditions, the Building Loan shall convert to the Permanent Loan on the Conversion Date.

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

7.3 (c) If the Borrower has satisfied all of the requisite conditions as set forth in this Agreement, then on the Conversion Date,

- (1) the Building Loan will convert to a mini-permanent commercial mortgage loan and such outstanding principal loan amount may be increased if requested by the Borrower and approved by the Lending Group in their sole discretion, with a three (3) year term ("**Permanent Maturity Date**"), amortized over a twenty-five (25) year period with level principal and interest payments, calculated on the outstanding principal balance;
- (2) the pricing parameters for the interest rate will be determined at least ninety (90) days prior to the Conversion Date at the Lending Group's sole discretion and will be calculated on the basis of a 360-day year, but shall be computed for the actual number of days in each period for which interest is charged.

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

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

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

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

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

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

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

7.4 Procedures.

7.4.1 Subject to the conditions set forth in this Section 7, Advances shall be made at such time as, but not more frequently than once in any calendar month (exclusive of any Advance made pursuant to Section 7.6 of this Agreement), for the purposes that, subject to the limitations that, and in such amounts as, the Lender’s Consultant and the Administrative Agent shall determine. All sums disbursed pursuant to any provision of this Agreement shall be deemed to be building loan advances secured by the Mortgage;

7.4.2 Borrower requests for Advances shall be made on such a schedule as to permit the timely payment (less applicable holdbacks) in minimum installments of \$250,000.00 (except the last draw) of all work, labor or services performed and materials, supplies or equipment furnished pursuant to the Construction Contract (exclusive of any such requisitions for materials, supplies or equipment so furnished but not yet incorporated into the Project, whether or not stored on the Land), duly prepared and submitted by the Construction Manager on AIA Document G702 and AIA Document G703, certified to by the Architect and approved by the Lender's Consultant; and for non-construction cost items constituting "cost of improvement", approved by the Lender's Consultant and the Administrative Agent, less, a 10% holdback and the total of all prior Advances. It is the intention of the Administrative Agent to withhold a net sum equal to 10% of the aggregate amount of such approved requisitions for construction cost items, to be disbursed when the work to be performed under the Construction Contract is 100% complete, as certified to by the Architect and approved by the Lender's Consultant, **provided, however that**, if the Lender's Consultant determines that 80% of the work has been completed with regard to a specific Line Item for one of the large subcontractors pursuant to a Major Contract one-half of the 10% holdback for that Line Item shall be advanced to the Borrower pursuant to an Advance request. Unless the Administrative Agent agrees to release the retainage for certain Line Items prior to completion of the Project, the amount of the withheld portion of such approved requisitions still held by the Administrative Agent, if any, shall be disbursed by the Administrative Agent as the final Advance when all the conditions specified in Section 7 of this Agreement have been satisfied. In no event shall the aggregate amount of the Advances exceed the Project Cost unless specifically approved in writing by the Lending Group and the Lender's Consultant;

7.4.3 The Borrower hereby establishes and shall maintain the Project Fund with the Administrative Agent for the sole purpose of receiving and making all Advances under this Agreement. All Advances under this Agreement shall be made by the Administrative Agent's depositing the amount thereof into the Project Fund, and all Advances so credited shall be deemed to have been received by the Borrower. For this purpose, the Borrower hereby irrevocably authorizes the Administrative Agent to deposit each Advance under this Agreement directly to the credit of the Borrower in the Project Fund;

7.4.4 Upon being furnished with an Advance Request for an Advance, certified to by the Borrower and approved in writing by the Lender's Consultant; the Administrative Agent shall deposit the Advance into the Project Fund within five (5) Business Days after receipt of such Advance Request and all other documentation required in connection with such Advance Request. "**Business Day**" shall mean any day of the year on which banking institutions in New York, New York are not authorized or required by law or other governmental action to close;

7.4.5 The Advance Request delivered by the Borrower for any Advance following the first Advance shall be deemed a representation and warranty to the Administrative Agent that each and every item of cost which was made the basis of the prior Advance and which had not then been paid has since been paid in full;

7.4.6 The Administrative Agent shall have no obligation to make Advances after the occurrence of any Event of Default, but shall have the right and option to do so, and if the Administrative Agent elects to make any such Advances, no such Advance shall be deemed to (A) constitute a waiver of any right or remedy under the Loan Documents, or (B) obligate the Administrative Agent to make any other Advances; and

7.4.7 No Advance shall be deemed an approval or acceptance by the Administrative Agent of any work, labor or services theretofore performed or of any materials, supplies or equipment theretofore furnished.

7.5 **Additional Security.** As additional security for the Borrower's obligations under this Agreement and the other Loan Documents, the Borrower irrevocably assigns to the Administrative Agent, and grants to the Administrative Agent a security interest in, its interest in the Project Fund and all Building Loan proceeds now or hereafter held by the Administrative Agent or its agents, whether or not disbursed, all funds now or hereafter deposited by the Borrower with the Administrative Agent or its agents under this Agreement or any of the other Loan Documents, the Borrower's interest in the Plans and Specifications and all copies thereof, to the extent permitted by law, all governmental permits and licenses now or hereafter obtained for the lawful construction and operation of the Improvements and all reserves, deferred payments, deposits, refunds, cost savings and payments of any kind relating to the construction of the Improvements. Upon the occurrence of an Event of Default, the Administrative Agent, in addition to any other rights and remedies it may have under the Loan Documents or at law or in equity, may apply any funds held by the Administrative Agent or its agents against any of the aforesaid obligations (whether or not the same be then due), in such order as the Administrative Agent may determine, and may use any of the other property referred to above for any purpose for which the Borrower could have used said property under this Agreement or with respect to the construction of the Improvements.

7.6 **Administrative Agent Advances Without Request.** The Administrative Agent shall from time to time make Advances on behalf of the Borrower to the Lenders to pay interest on the payment dates when interest is due and owing in accordance with the terms of the Note, and may from time to time make Advances on behalf of the Borrower to the Lenders to pay the Lenders other sums due the Administrative Agent and the Lenders pursuant to this Agreement or any of the other Loan Documents, to taxing authorities or insurers to pay taxes or insurance premiums when due, to the Construction Manager or any Subcontractor or other creditor of the Borrower, and to pay for the protection of the Improvements and to complete the Project. Any Advance so made shall be deemed to be an Advance made to and received by the Borrower.

7.7 **Payments by Administrative Agent to Contractors, Subcontractors and other Creditors of Borrower.** The Administrative Agent shall have the right (but not the obligation) to make payments hereunder directly to the Construction Manager or to any Subcontractor or other creditor of the Borrower for work performed, services rendered or materials supplied by such party in connection with the construction of the Improvements or the development and use of the Project, or by check jointly payable to the Construction Manager and any such Subcontractor or other creditor of the Borrower. The Administrative Agent is hereby authorized by the Borrower (but not obligated) to set aside and pay from the Building Loan, at the Administrative Agent's sole discretion, a sum sufficient to pay any invoices of the Construction Manager or any Subcontractor or other creditor of the Borrower for work performed, services rendered or materials supplied in connection with the construction of the Improvements or the development and use of the Project if the Administrative Agent is requested to do so by the Construction Manager or any Subcontractor or other creditor of the Borrower.

7.8 **Discretion of Administrative Agent.** Although the obligation of the Administrative Agent to make Advances pursuant to this Section 7 is dependent upon the fulfillment of the conditions specified in this Section 7 and subject to the procedures specified in this Section 7, it is acknowledged that the Administrative Agent may, in its sole discretion, make any Advance in the absence of strict compliance with such conditions and procedures from time to time. Without limiting the generality of Sections 10.6 or 10.7 of this Agreement, no such action by the Administrative Agent shall in any way affect the ability of the Administrative Agent to subsequently require such strict compliance. Nothing in this Section shall be deemed to create any specific rights in favor of any third parties including, without limitation, any beneficiary under Section 22 of the New York Lien Law.

8. DEFAULTS AND REMEDIES.

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

8.1.1 The Completion of Construction shall not have occurred by the Completion Date, or the Borrower shall fail to deliver to the Administrative Agent by the Completion Date any of the certificates confirming the Completion of Construction;

8.1.2 The Project shall have been discontinued for more than fifteen (15) days for any reason, or for thirty (30) days when occasioned by Force Majeure; provided, however, in no event shall the aggregate of all such periods equal more than one hundred twenty (120) days when occasioned by Force Majeure, with time being of the essence, provided however, in the event the Lending Group believes, in its reasonable judgment, that the Borrower is able to achieve Completion of Construction on or before the Completion Date, the delays set forth above shall not constitute an Event of Default;

8.1.3 The Lender's Consultant or the Administrative Agent shall have determined that the Project has not been completed in a good and workmanlike manner on or before the Completion Date substantially in accordance with the terms and conditions of the Plans and Specifications and the terms and conditions of the Loan Documents and such failure shall continue for more than twenty (20) days after written notice thereof by the Administrative Agent to the Borrower, provided that the Project must be substantially completed on or before the Completion Date;

8.1.4 The Borrower shall fail to perform or comply with any covenant, term or condition of this Agreement where such failure is not otherwise referred to in Section 8 of this Agreement and such failure shall continue for more than thirty (30) days after written notice thereof by the Administrative Agent to the Borrower, provided that if Borrower cannot perform or comply within such thirty (30) day period and such failure is capable of performance or compliance by Borrower, then so long as Borrower has commenced to perform or comply and thereafter diligently and expeditiously proceeds to perform or comply, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower to perform or comply;

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

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

8.1.7 A material default shall occur under any Construction Document after applicable notice, grace and cure periods;

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

8.1.9 Any person shall obtain an order or decree in any court of competent jurisdiction enjoining or delaying the construction of the Improvements or enjoining or prohibiting the Administrative Agent or the Borrower from carrying out the terms and conditions of any of the Loan Documents, and such proceedings are not discontinued or such decree is not vacated within twenty (20) Business Days after the filing thereof;

8.1.10 An Event of Default shall occur under the Mortgage, or a default, together with the expiration of any applicable grace and cure period, shall occur under any of the other Loan Documents;

8.1.11 The Borrower shall, without the consent of the Administrative Agent; assign its rights under this Agreement, or its rights to receive disbursement of monies under this Agreement or any portion thereof or if the Borrower shall by operation of law or otherwise be deprived of its rights under this Agreement;

8.1.12 The Borrower is unable to satisfy all of the conditions precedent required to be satisfied prior to receipt of any Advance, or the Borrower does not satisfy the requirement to replenish the funds in the Project Budget pursuant to the requirements of Section 7.1.13 of this Agreement;

8.1.13 Any permit, approval or agreement obtained from or issued by any Governmental Authority is withdrawn, canceled, terminated, or modified to the material detriment of the Borrower or the Project, unless the Borrower reinstates and confirms in all respects the permit, approval, or agreement in effect within a period of thirty (30) days thereafter; and

8.1.14 The Guarantor fails to comply with the provisions of Section 4.11 of this Agreement.

8.2 **Remedies.** Upon the occurrence of any Event of Default, in addition to any other rights or remedies available at law or in equity; or under any of the Loan Documents, the Administrative Agent may exercise any or all of the following rights and remedies as it, in its sole discretion, deems necessary or desirable:

8.2.1 Enter upon the Project and complete the Project in accordance with the Plans and Specifications (with such changes therein as the Administrative Agent may deem appropriate) and take any action to preserve and protect the Project, all at the risk, cost and expense of the Borrower, including but not limited to the right to make Advances in excess of the principal amount of the Building Loan;

8.2.2 At any time discontinue any work commenced by the Borrower with respect to the Project or change any course of action undertaken by it and not be bound by any limitations or requirements of time, whether set forth in this Agreement or otherwise;

8.2.3 Assume the Construction Contract or any other agreement, contract or subcontract made and in any way relating to the Project and take over and use all or any part of the work, labor; services, materials, supplies or equipment contracted for; whether or not previously incorporated into the Project;

8.2.4 In connection with any undertaking by the Administrative Agent to complete the Project pursuant to the provisions of this Agreement, (A) engage architects, contractors, subcontractors, mechanics, materialmen, laborers, suppliers and others for the purpose of performing any work, labor or services or furnishing any materials, supplies or equipment required in connection with the completion of the Project, (B) pay, settle or compromise all bills or claims which may become, if unpaid, mechanic's liens or which have been or may be incurred in any manner in connection with completing the Project or for the discharge of liens, encumbrances or defects in the title to the Project, and (C) take or refrain from taking such action hereunder as the Administrative Agent from time to time and in its sole discretion may determine; and

8.2.5 Terminate this Agreement and the Administrative Agent's obligations under this Agreement, including the obligation to make further Advances (including Advances requested prior to such termination but not actually made at the time such termination occurs).

9. SECONDARY MARKET; ASSIGNMENT; PARTICIPATION

9.1 Pursuant to the provisions of that certain Co-Lending and Servicing Agreement by and between the Administrative Agent and the Lending Group (the "**Co-Lending Agreement**") a member of the Lending Group may at any time grant to one or more parties (each a "**Participant**") participating interests in its Pro Rata Share (as hereinafter defined) of the Loan (the "**Participations**") and the Lending Group may syndicate the Loan ("**Syndication**").

9.2 A member of the Lending Group may at any time assign (x) to any Eligible Assignee (as defined in the Co-Lending Agreement) with the consent of Administrative Agent, which consent shall not be unreasonably withheld or delayed, (y) to any other party with the consent of Administrative Agent, which consent may be withheld by Administrative Agent in Administrative Agent's sole and absolute discretion (each such assignee set forth in (x) and (y) above, a "**Consented Assignee**"), or (z) without such consent, to one or more Eligible Assignees which are affiliates, subsidiaries or a parent of a member of the Lending Group (each Consented Assignee or subsidiary, affiliate or parent bank or institution, an "**Assignee**") all or a proportionate part of all of such member of the Lending Group's rights and obligations under this Agreement and the Note, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement substantially in the form annexed to the Co-Lending Agreement executed by such Assignee and the assigning member of the Lending Group (duplicate executed originals of which shall be delivered to Borrower to the extent available). Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the assigning member of the Lending Group of an amount equal to the purchase price agreed between such member of the Lending Group and such Assignee and (iii) with respect to a Consented Assignee, payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of \$3,500, such Assignee shall be a party to this Agreement and shall have all the rights and obligations of a member of the Lending Group as set forth in such Assignment and Assumption Agreement, and the assigning member of the Lending Group shall be released from such member of the Lending Group's obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Neither Borrower nor an affiliate of Borrower shall be Eligible Assignee.

9.3 Borrower, Administrative Agent and members of the Lending Group shall execute such modifications to the Loan Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with assignments, participations or syndications in accordance with the foregoing provisions of this Section and which do not adversely affect Borrower or Guarantor or Borrower's or Guarantor's obligations or rights under the Loan Documents (other than to a *de minimis* extent).

9.4 Borrower recognizes that in connection with a member of the Lending Group's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Loan may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee who signs and delivers a confidentiality agreement in the form executed by the initial members of the Lending Group, if any. Borrower hereby consents to the release of any and all Borrower and Guarantor information to such parties, and holds Administrative Agent and the Lending Group harmless from any and all liability due to the release of Borrower's and Guarantor's financial information by Administrative Agent or any member of the Lending Group to any such party.

9.5 Borrower agrees to reasonably cooperate with the Lending Group in connection with any sale or transfer of the Loan, Syndication or any Participation. At the request of the holder of the Note and, to the extent not already required to be provided by Borrower and Guarantor under this Agreement, Borrower shall take such reasonable actions for the benefit of, and use reasonable efforts to provide information not in the possession of, the holder of the Note in order to satisfy the market standards (which may include such holder's delivery of information with respect to Borrower, Guarantor and the Project to any Participant or Assignee or prospective Participant or Assignee who signs and delivers a confidentiality agreement in the form executed by the initial members of the Lending Group, if any) to which the holder of the Note customarily adheres or which may be reasonably required in the marketplace in connection with such sales or transfers, including, without limitation, to:

(i) provide (i) updated financial, budget and other information with respect to the Project, Borrower, Guarantor and affiliated entities and (ii) modifications and/or updates to the appraisals, market studies, environmental reviews and reports (Phase I reports and, if appropriate, Phase II reports) of the Project obtained in connection with the making of the Loan (all of the foregoing being referred to as the "**Provided Information**"), together, if customary, with appropriate verification and/or consents of the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Lending Group;

(ii) make de minimis changes to the organizational documents of Borrower or its principals;

(iii) upon reasonable prior notice, permit site inspections, appraisals, market studies and other due diligence investigations of the Project, as may be reasonably requested by the holder of the Note or as may be necessary in connection with the Participations or Syndications;

(iv) make the representations and warranties with respect to the Project, Borrower, Guarantor, and the Loan Documents as such Persons have made in the Loan Documents and such other representations and warranties with respect to Borrower, Guarantor, and the Project, as may be reasonably requested by the holder of the Note;

(v) execute such amendments to the Loan Documents as may be requested by the holder of the Note including, without limitation, bifurcation of the Loan into two or more components and/or separate notes and/or creating a senior/subordinate note structure; provided, however, that Borrower and Guarantor shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate or the stated maturity set forth in the Note, except in connection with a bifurcation of the Loan which may result in varying fixed interest rates and amortization schedules, but which shall have the same initial weighted average coupon of the original Note, or (ii) in the reasonable judgment of Borrower or Guarantor, modify or amend any other economic term of the Loan, or (iii) in the reasonable judgment of Borrower or Guarantor, increase Borrower's or Guarantor's obligations and liabilities, or reduce Borrower's or Guarantor's rights, under the Loan Documents, other than to a de minimis extent; and

(vi) have reasonably appropriate personnel participate in a bank meeting and/or presentation for the Lending Group.

10. MISCELLANEOUS.

10.1 **Trust Fund.** All monies disbursed by the Administrative Agent pursuant to this Agreement shall be subject to trust fund provisions of Section 13 of the New York Lien Law.

10.2 **Lien Law Section 22 Compliance.** The Borrower covenants that the affidavit attached hereto as Exhibit B and made a part hereof is made pursuant to and in compliance with Section 22 of the New York Lien Law, and, if so indicated in such affidavit, a portion of the proceeds of the Building Loan will be applied to reimburse the Borrower for payments made by the Borrower prior to the first Advance under this Agreement, but subsequent to the commencement of the construction of the Improvements, for items of "cost of improvement", as defined in Subdivision 5 of Section 2 of the New York Lien Law.

10.3 **Notice of Lending.** The Borrower covenants that attached hereto as Exhibit C and made a part hereof is a Notice of Lending pursuant to Article 3A of the New York Lien Law with respect to Advances by the Administrative Agent to the Borrower.

10.4 **Assignment by Administrative Agent.** If the Administrative Agent shall assign its rights in and to this Agreement to a successor, all provisions of this Agreement shall continue to apply to the disbursement of monies. Upon such assignment, the successor shall be deemed to have succeeded to all of the rights of the Administrative Agent under this Agreement and to have assumed all of the obligations of the Administrative Agent to disburse such monies in the manner and subject to the terms and conditions of this Agreement. Such assignment and assumption shall affect the release of the Administrative Agent from any further obligations under this Agreement.

10.5 **Notices.** Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to the Borrower or to the Administrative Agent, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 10.5). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal service and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) Business Days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) Business Day after delivery to a nationally recognized overnight courier service (e.g., Federal Express) for priority next day delivery. Notice by e-mail is not valid notice under this or any other agreement between the Borrower and the Administrative Agent.

Administrative Agent: Manufacturers and Traders Trust Company
One Fountain Plaza
Buffalo, New York 14203
Attention:

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

and

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

If to Borrower:

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

10.6

Cumulative Nature; Nonexclusive Exercise; and Waivers of Rights and Remedies. All rights and remedies of the Administrative Agent pursuant to this Agreement and its other agreements with the Borrower shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. No single or partial exercise by the Administrative Agent of any right or remedy pursuant to this Agreement or otherwise shall preclude any other or further exercise thereof, or any exercise of any other such right or remedy, by the Administrative Agent. No course of dealing or other conduct heretofore pursued, accepted or acquiesced in, no course of performance or other conduct hereafter pursued, accepted or acquiesced in, no oral or written agreement or representation heretofore made, and no oral agreement or representation hereafter made, by the Administrative Agent, whether or not relied or acted upon, and no usage of trade, whether or not relied or acted upon, shall operate as a waiver of any right or remedy of the Administrative Agent pursuant to this Agreement or otherwise. No delay by the Administrative Agent in exercising any such right or remedy, whether or not relied or acted upon, shall operate as a waiver thereof or of any other such right or remedy. No notice or demand of any kind, and no attempted but unsuccessful notice or demand of any kind, by the Administrative Agent prior to exercising any such right or remedy on any one occasion, whether or not relied or acted upon, shall operate as a waiver of any right of the Administrative Agent to exercise the same or any other such right or remedy on such or any future occasion without any notice or demand of any kind. No waiver by the Administrative Agent of any such right or remedy, or modification of this Agreement, shall be effective unless made in a writing duly executed by the Administrative Agent and specifically referring to such waiver. No waiver by the Administrative Agent on any one occasion of any such right or remedy shall operate as a waiver thereof or of any other such right or remedy on any future occasion.

10.7

Entire Agreement; Modification; and Certain Consents and Waivers. This Agreement contains the entire agreement between the Borrower and the Administrative Agent with respect to the subject matter of this Agreement, and supersedes each course of dealing or other conduct heretofore pursued, accepted or acquiesced in, and each oral or written agreement and representation heretofore made, by the Administrative Agent with respect thereto, whether or not relied or acted upon. This Agreement shall not be amended except in writing, which writing is signed by both Borrower and Administrative Agent. Except as expressly provided in this Agreement, this Agreement shall not be modified or terminated, no indebtedness, liability or obligation of the Borrower pursuant to this Agreement, and no right or remedy of the Administrative Agent pursuant to this Agreement or otherwise, shall be impaired or otherwise affected, by any act, omission or other thing. The Borrower consents, without notice, to each act, omission and other thing that would or might, but for such consent, modify or terminate this Agreement or impair or otherwise affect any such indebtedness, liability, obligation, right or remedy created pursuant to this Agreement. The Borrower waives, without notice, each act and other thing upon which, but for such waiver, any indebtedness, liability or obligation of the Borrower pursuant to this Agreement or any right or remedy of the Administrative Agent pursuant to this Agreement or otherwise, would or might be conditioned.

10.8

Right of Setoff. If an Event of Default occurs, the Administrative Agent and its affiliates and the Co-Lender shall also have the right to setoff against the indebtedness any property held in a deposit or other account by the Administrative Agent and its affiliates and the Co-Lender or otherwise owing by the Administrative Agent or its affiliates or the Co-Lender including, in any capacity to the Borrower in any capacity whether or not the indebtedness or the obligation to pay such moneys owed by the Administrative Agent or its affiliates or the Co-Lender is then due, and the Administrative Agent and the Co-Lender shall be deemed to have exercised such right of setoff immediately at the time of such election.

10.9

IntraLinks. Borrower hereby acknowledges that (a) Administrative Agent will make available to the Lending Group all information provided by or on behalf of Borrower or Guarantor hereunder or under the other Loan Documents (collectively, "**Borrower Materials**") by posting the Borrower Materials on IntraLinks® or another similar electronic system (the "**Platform**") and (b) certain members of the Lending Group (each, a "**Public Lender**") may have personnel who do not wish to receive material non-public information with respect to Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Person's securities. Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC", Borrower shall be deemed to have authorized Administrative Agent and the Lending Group to treat such Borrower Materials as either publicly available information or not containing any material non-public information (although it may be sensitive and proprietary) with respect to Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (z) Administrative Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor". Notwithstanding the foregoing, Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC." Borrower agrees to pay or reimburse Administrative Agent upon demand for all reasonable fees, costs and expenses incurred in connection with any Platform.

10.10

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

10.11 **Joint and Several.** If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts and obligations which become due or should be performed under this Agreement and the term “Borrower” shall include each as well as all of them.

10.12 **General.** This Agreement shall be binding upon the Borrower and upon each successor and assign of the Borrower; and shall inure to the benefit of, and be enforceable by, the Administrative Agent and each successor and assign of the Administrative Agent. This Agreement is a binding obligation enforceable against the Borrower and its heirs and legal representatives and its successors and assigns and shall inure to the benefit of the Administrative Agent and its successors and assigns. Any reference herein to “Administrative Agent” shall be deemed to include and apply to every subsequent holder of this Agreement and any reference herein to “Borrower” shall include; (i) any successor individual or individuals, association, partnership, limited liability company or corporation to which all or substantially all of the business or assets of the Borrower shall have been transferred; (ii) in the case of a partnership Borrower, any new partnership which shall have been created by reason of the admission of any new partner or partners therein, or by reason of the dissolution of the existing partnership by voluntary agreement or the death, resignation or other withdrawal of any partner; and (iii) in the case of a corporate or limited liability company Borrower, any other entity into or with which the Borrower shall have been merged, consolidated, reorganized, or absorbed. Except as expressly provided in this Agreement, each right and remedy of the Administrative Agent pursuant to this Agreement, and each action of the Administrative Agent pursuant to the authorization and appointment as attorney-in-fact contained in this Agreement, may be exercised or taken (i) at any time and from time to time; (ii) at the sole option of the Administrative Agent or its agents; (iii) without any notice or demand of any kind; and (iv) whether or not any Event of Default has occurred or existed, but the Administrative Agent shall not be obligated to exercise any such right or remedy or to take any such action. Each request of the Administrative Agent pursuant to this Agreement may be made (i) at any time and from time to time; (ii) at the sole option of the Administrative Agent or its agents; and (iii) whether or not any Event of Default has occurred or existed. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If, however, any such provision shall be prohibited by or invalid under such law, it shall be deemed modified to conform to the minimum requirements of such law, or; if for any reason it is not deemed so modified, it shall be prohibited or invalid only to the extent of such prohibition or invalidity without the remainder thereof or any other such provision being prohibited or invalid. Any provision of this Agreement that prohibits the Borrower from taking any action shall be construed to prohibit the Borrower from taking such action directly or indirectly. Except as expressly provided in this Agreement, any reference in this Agreement to any statute, regulation or other law shall be deemed to be as of any time a reference to such statute, regulation or other law as in effect at such time or; if such statute, regulation or other law is not in effect at such time, a reference to any similar statute, regulation or other law in effect at such time. Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; the word “or” has the inclusive meaning represented by the phrase “and/ or”; the word “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation”; and captions or section headings are solely for convenience and not part of the substance of this Agreement. Any representation, warranty, covenant or agreement herein shall survive execution and delivery of this Agreement and shall be deemed continuous. Any reference to the Administrative Agent’s agents shall include M&T Real Estate Trust. Without limiting the generality of any reference hereunder to an agent of the Administrative Agent, any right or remedy granted to the Administrative Agent under this Agreement, including the right to be reimbursed for expenses hereunder, shall inure to the benefit of and be enforceable by both the Administrative Agent and its agents.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

BORROWER:

CANARSIE PLAZA LLC

By: _____
Name: **Robert Masters**
Title: **Senior Vice President**

ADMINISTRATIVE AGENT:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: _____
Name: **John Stroligo**
Title: **Vice President**

THE LENDING GROUP:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: _____
Name: **John Stroligo**
Title: **Vice President**

CAPITAL ONE, N.A.

By: _____
Name: **Peter Welch**
Title: **Senior Vice President**

ACKNOWLEDGMENTS

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

On the 12th day of January, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert Masters personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF NEW YORK)
 ss.
COUNTY OF WESTCHESTER)

On the 12th day of January, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared **John Stroligo**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF)
 : ss.
COUNTY OF)

On the _____ day of January, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared **Peter Welch** personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

EXHIBIT A

Architect: Greenberg Farrow Architecture Inc.

Building Loan: **Forty Eight Million Dollars (\$48,000,000.00)**

Completion Date: the earlier of (i) **July 12, 2011**, subject to Force Majeure delays; or (ii) the first day of the month following the date the final Advance is made.

Lender's Consultant: Inspection & Valuation International, Inc.

Exceptions to Representations and Warranties: NONE

Final Advance Date: the earlier of (i) **July 12, 2011**, subject to Force Majeure delays; or (ii) the Maturity Date.

Construction Manager: ACRS, Inc.

Governmental Authority:

County: Kings

Municipality: Borough of Brooklyn

Improvements: Site improvement, demolition of certain current improvements on the site and construction of an approximately 264,882 square foot mixed use center known as "Canarsie Plaza".

Land: Section: 24, Block: 7920, Lots: 1- 7

Acreage: approximately 590,980 S.F. OR 13.567 ACRES

Address: **8925 Foster Avenue, 8901 Avenue D, 8915 Avenue D, 870 Remsen Avenue, 856 Remsen Avenue, 8707 Foster Avenue, and 8709 Foster Avenue, Canarsie, New York 11236**

EXHIBIT C
NOTICE OF LENDING
Pursuant to Section 73 of the Lien Law

1. Manufacturers and Traders Trust Company, a New York banking corporation with an office located at One Fountain Plaza, Buffalo, New York 14203 individually as a lender and as the administrative agent for itself and **Capital One, N.A.** (the "Co-Lender" and, referred to collectively with M&T as the "**Lending Group**") and the Lending Group, is the person making the advances;

2. (a) **Individual:** _____, an individual residing at _____,
_____, New York _____, (the "Borrower") is the person to whom or on whose behalf the advances are being made;

(b) **Partnership:** _____ a _____ partnership having an office and principal place of business at _____, New York _____, (the "Borrower") is the person to whom or on whose behalf the advances are being made;

(c) **Corporation:** _____ a _____ corporation having an office and principal place of business at _____, New York _____, (the "Borrower") is the person to whom or on whose behalf the advances are made;

(c) **Limited Liability Company:** **Canarsie Plaza LLC**, a limited liability company organized under the laws of the State of New York, with a Chief executive office: c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, (the "Borrower") is the person to whom or on whose behalf the advances are made;

3. The Borrower is the owner and developer of the real property;

4. The address of the real property for which the advances are being made is: **8925 Foster Avenue, 8901 Avenue D, 8915 Avenue D, 870 Remsen Avenue, 856 Remsen Avenue, 8707 Foster Avenue, and 8709 Foster Avenue, Canarsie, New York;**

5. The record owner of the real property described above is: **Canarsie Plaza LLC;**

6. The improvements being made to the real property described above consist of: site improvement, demolition of certain current improvements on the site, related soft costs and construction of an approximately 264,882 square foot mixed use center known as "Canarsie Plaza";

7. Advances on or before the date of filing hereof and for which this Notice of Lending is intended to be effective were made on: NA;

8. The maximum balance of advances made or to be made pursuant to this Notice of Lending is: **\$48,000,000.00;**

DATED: January 12, 2010.

MANUFACTURERS AND TRADERS TRUST COMPANY

By _____
Name: **John Stroligo**
Title: **Vice President**

EXHIBIT D

DRAW REQUEST

(BORROWER'S LETTERHEAD)

DRAW REQUEST NO. _____

M&T BANK
ATTN: (ADMINISTRATOR)
25 SOUTH CHARLES STREET
17TH FLOOR
BALTIMORE, MD 21201

LOAN NO.: _____

DATE: _____

PROJECT: _____

LOCATION: _____

BORROWER: _____

FOR PERIOD ENDING: _____

In accordance with the Building Loan Agreement in the amount of \$48,000,000, Dated January 12, 2010, among Borrower, Manufacturers and Traders Trust Company, as administrative agent for itself and the Lending Group as defined therein, Borrower requests that \$_____ be advanced from Loan proceeds. The proceeds should be credited to the account of _____
Account No. _____, at _____.

- | | |
|--|------------------|
| 1. CURRENT DRAW REQUEST FOR HARD COSTS | \$ _____ |
| 2. CURRENT DRAW REQUEST FOR SOFT COSTS | \$ _____ |
| 3. TOTAL DRAW REQUEST | & #160; \$ _____ |

AUTHORIZED SIGNER:

DATE: _____



GENERAL ASSIGNMENT OF RENTS

Date: January 12, 2010

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

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

WHEREAS, Assignee has extended credit to Assignor for a development loan (hereinafter the "**Loan**") in the principal sum of up to **Forty Eight Million Dollars (\$48,000,000.00)** (the "**Loan Amount**") and that is secured in part by a Mortgage dated on or about the date of this General Assignment of Rents (this "**Assignment**") (together with any extensions, supplements, modifications, amendments, and consolidations thereof, collectively referred to herein as the "**Mortgage**"), that certain building loan agreement by and between Assignor and Assignee dated as of the date hereof (the "**Loan Agreement**"), the Survey, the Title Insurance Policy, the Guarantees and all other instruments, certificates, legal opinions and documents executed and delivered by either or both of the Assignor or the Assignee in connection with the Loan (the "**Loan Documents**") encumbering the Premises (as defined in the Mortgage) (including the land described on the attached Schedule A) and securing the Indebtedness (as defined in the Mortgage); and

WHEREAS, Assignee has required Assignor in connection with the Indebtedness to make the assignments and grant to Assignee the rights set forth in this Assignment; and

WHEREAS, Assignee desires to grant Assignor a conditional license to collect and use the income derived from the Premises and to take certain leasing actions in the ordinary course of business.

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

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt of which is acknowledged, Assignor covenants with Assignee so long as this Assignment is in effect as follows:

1. DEFINITIONS.

- a. "Event of Default" under this Assignment shall exist (i) if any representation made by any Assignor in this Assignment is found to have been untrue or misleading in any material respect at the time it was made, (ii) if any Assignor fails to observe any covenant made in this Assignment and (A) fails, upon notice from Assignee advising such Assignor of such failure, to cure the failure within thirty (30) days, provided, however that in the event that such default cannot by its nature reasonably be cured within such thirty (30) day period and provided Assignor commences to cure same within such period and thereafter diligently prosecutes same to completion, Assignor shall have a reasonable time to cure such default not to exceed sixty (60) days, (B) ceases to pursue diligently the cure of the failure or (C) repudiates its obligation to cure the failure, or (iii) if an "Event of Default" exists under the terms of the Mortgage or any other Loan Document, after applicable notice and grace periods, if any.
-

- b. "Leases" means all of Assignor's right, title and interest, now or in the future, under any leases or other agreements, written or oral, conferring any tenancy or right to occupy, possess or use any portion of the Premises (together with all extensions, renewals and modifications of any Lease), all guaranties of the tenants' performance of obligations under any Lease, Assignor's interest in any further leases, subleases, lettings or agreements upon or covering use or occupancy of all or any part of the Premises, and all other agreements conferring any right to collect Rents, including Assignor's rights to cancel, modify, terminate, or accept the surrender of any Lease, to remove and evict the tenants under any Lease, or to increase or reduce Rents.
- c. "Leasing Actions" means all executions, modifications, terminations, and extensions of any Lease, all grants of purchase options or rights of first refusal, and all other actions taken by any Assignor in exercising its rights as landlord under any Lease.
- d. "Rents" means all rents, income, receipts, issues and profits and other benefits paid or payable for using, leasing, subleasing, licensing, possessing, operating from or in, residing in, selling, mining, extracting minerals from, or otherwise enjoying the Premises, whether presently existing or arising in the future, to which any Assignor may now or hereafter become entitled or may demand or claim, including security deposits, amounts drawn under letters of credit securing tenant obligations, minimum rents, additional rents, parking revenues, hotel room revenues, deficiency rents, termination payments, space contraction payments, liquidated damages following default under any Lease, premiums payable by tenants upon their exercise of cancellation privileges, proceeds from lease guarantees, proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Premises, all rights and claims of any kind which any Assignor has or may in the future have against the tenants under the Leases, lease guarantors, or any subtenants and other occupants of the Premises; all proceeds of any sale of the Premises in violation of the Loan Documents, any future award granted any Assignor in any court proceeding involving any tenant in any bankruptcy, insolvency, or reorganization proceedings in any state or federal court; and any and all payments made by any tenant in lieu of rent.

2. ASSIGNMENT.

- a. Assignor does hereby grant, sell, transfer, set over, deliver, and absolutely, unconditionally and irrevocably assign unto Assignee the Leases and the Rents, to have and to hold the same unto Assignee and unto its successors and assigns forever.
-

- b. This Assignment is made in support of the Indebtedness and in support of the payment, observance, performance and discharge of all obligations, conditions, covenants, and warranties contained in the Mortgage and the other Loan Documents. This Assignment is and shall be primary and on a parity with the real estate conveyed by the Mortgage.
3. **LICENSE TO COLLECT AND USE RENTS.** Assignee grants to Assignor a conditional license, subject to Assignee's rights under Section 5 of this Assignment, to collect the Rents, in trust for Assignee, to use them solely for the maintenance of the Premises and the repayment of the Indebtedness and, so long as no Event of Default exists, to make the balance of the Rents available for use of and distribution to Assignor. This license extends only to Rents collected no more than one month in advance.
4. **LICENSE TO TAKE CERTAIN LEASING ACTIONS.**
- a. Assignee grants to Assignor a conditional license, subject to Assignee's rights under this Assignment, to take all Leasing Actions, as trustee for Assignee, provided such Leasing Actions are not excluded from the scope of such Assignor's license under Section 4(b) of this Assignment and are taken in strict compliance with the terms of this Assignment and the terms of Section 9 of the Mortgage.
- b. The license granted by Assignee under this Section 4 does not extend to (i) the execution of any new Lease for space in excess of 5,000 square feet at the Premises which shall be made in strict compliance with the terms described in Section 9 of the Mortgage), (ii) any modification of any Lease in a way potentially materially adverse to the economic position of the landlord under such Lease including, but not limited to, any reduction in term or rental rate or any release of any liability, security or other assurance of payment with respect thereto, (iii) the acceptance of any space contraction payment, any termination payment, or any Rent delivered more than one month in advance of the related period (other than a security deposit), (iv) the grant of any option to purchase any part of the Premises or any right of first refusal or (v) any Leasing Action that results in a Lease (A) to an affiliate of any Assignor, (B) with a rental rate which is less than a reasonable market rental rate, or (C) permitting prepayment of rent more than one month in advance.
5. **ASSIGNEE'S APPROVAL OF LEASING ACTIONS.** In accordance with Section 291-f of the New York Real Property Law, Leasing Actions that Assignor is not expressly licensed to take under Section 4 of this Assignment require Assignee's advance written approval. Assignor shall request such approval in writing. The request shall be accompanied by (i) a copy of the form of lease, lease amendment or other written instrument that is to effect the proposed Leasing Action and (ii) any financial materials (such as credit reports, tenant financial statements, or retail tenant sales information) used by any Assignor in arriving at its decision to take the proposed Leasing Action. Assignee may, in the exercise of its reasonable discretion, request any additional documentation required to permit its analysis of the proposed Leasing Action. If Assignee has not responded within fifteen (15) business days of its receipt of the documentation pursuant to such request, Assignee shall be deemed to have approved the same.
6. **DELIVERY OF LEASE DOCUMENTS.** Upon request of Assignee from time to time, Assignor shall promptly deliver to Assignee complete documentation evidencing those Leasing Actions taken by such Assignor pursuant to its license not previously delivered. Assignor shall certify to Assignee that all such Leasing Actions have been taken in compliance with terms of this Assignment.
-

7. ASSIGNOR'S REPRESENTATIONS AND WARRANTIES. Assignor represents and warrants as follows:

- a. Assignor is the owner in fee simple absolute of the Premises, has good title to the Leases and Rents and has good right to assign them. No other natural or legal person has any right, title or interest to any Assignor's interest in the Leases and Rents.
- b. Assignor has duly and punctually performed, or will duly and punctually perform, all of the landlord's obligations, covenants, conditions and warranties under the terms of the Leases.
- c. To Assignor's best knowledge as a duly diligent property owner, no tenant under any Lease is in material default in the performance of its terms.
- d. No Assignor has previously sold, assigned, transferred, mortgaged, or pledged the Leases or the Rents except to Assignee under documents which have been discharged and released in full.
- e. The Leases delivered to Assignee in connection with the execution and delivery of the Mortgage are valid, unmodified (except pursuant to modifications that have been delivered to Assignee) and are in full force and effect.
- f. No Rent that will accrue under any Lease has been waived, released, discounted, set off or otherwise discharged or compromised.
- g. No Assignor has received any funds or deposits from the tenant under any Lease in excess of one month's Rent, other than security deposits or advance rents in respect of periods of the rental term that have elapsed.

8. ASSIGNOR'S COVENANTS. Assignor hereby covenants as follows:

- a. Assignor shall observe, perform and discharge, duly and punctually, such Assignor's obligations, covenants, conditions and warranties under the terms of the Leases, the Mortgage, this Assignment and the other Loan Documents.
 - b. Assignor shall use commercially reasonable efforts to cause the tenants under the Leases to perform their obligations under the Leases.
 - c. No Assignor shall take any Leasing Action without Assignee's advance written approval, except as expressly permitted under the license granted to such Assignor under Section 4 of this Assignment.
 - d. Assignor shall appear in and defend any action or proceeding arising under, or in any manner connected with the Leases or the obligations, duties or liabilities of such Assignor and the tenants under the Leases.
-

- e. Assignor shall execute and deliver to Assignee from time to time such further assignments and instruments as Assignee reasonably may request in order to effectuate the intent of this Assignment.
- f. Assignor shall, promptly upon execution, send Assignee a full and complete copy of any new Lease as to which Assignee's approval was required under the terms of this Assignment.
- g. If any Assignor receives any written or oral notice from any tenant asserting a material default by the landlord under any Lease, or advising such Assignor that a condition exists which may become a material default with the passage of time, such Assignor shall send a copy or memorandum of the notice to Assignee.
- h. Assignor agrees, upon written request of Assignee, to notify the tenants under the Leases of this Assignment, to direct them in writing to send Assignee, simultaneously, copies of all notices of default that they serve on such Assignor, and to require them, at Assignee's request, to pay all future Rent directly to Assignee. The Rents and copies of such notices shall be sent to Assignee at such address as is specified by Assignee from time to time.
- i. No Assignor shall create or permit any lien, charge, or encumbrance of the Leases or of the Rents or pledge, transfer, or otherwise assign the Leases or the Rents unless at Assignee's request.
- j. Assignor shall consent to neither an assignment of the tenant's interest in any Lease nor to any tenant's subletting all or any portion of the Premises leased by it except to the extent such consent expressly may be required by the terms and conditions of any Lease in effect on the date of this Assignment or entered into in strict compliance with the terms of this Assignment.

9. ASSIGNEE'S RIGHTS UPON EVENT OF DEFAULT.

- a. Upon an Event of Default, Assignee may by notice to any Assignor immediately terminate such Assignor's licenses under either or both of Sections 3 and 4 of this Assignment, regardless of whether the Premises or any other collateral adequately secures the eventual repayment of the Indebtedness. Upon the termination of any Assignor's license under Section 3 of this Assignment, such Assignor shall immediately deliver to Assignee all Rents then in such Assignor's possession, and all Rents then due or accruing thereafter shall be payable by tenants directly to Assignee. This Assignment shall constitute a direction to and full authority to any tenant of the Premises, upon Assignee's written request, to pay all Rents to Assignee, without requiring Assignee to prove to the tenant the existence of an Event of Default. Assignor agrees to deliver immediately to Assignee any Rents received by such Assignor after the termination of such Assignor's license under Section 3 of this Assignment. At Assignee's written request, Assignor shall execute such further assignments to Assignee of any Lease as Assignee may in its sole judgment request. This Assignment is given in connection with the Mortgage and in support of the performance of such Assignor's obligations under the Loan Documents, and nothing herein contained shall be construed as constituting Assignee as an "Assignee-in-possession" of the Premises.
-

- b. Assignee shall apply Rents it collects as follows: (i) first, to the payment of late and other charges, if any, due and payable under the Loan Documents; (ii) second, to the repayment of any sums advanced by Assignee for the payment of any insurance premiums, taxes, assessments or other impositions or charges against the Premises; (iii) third, to the payment of any other sums due from any Assignor to Assignee pursuant to the Loan Documents (other than the amounts described in clauses (v) and (vi) below); (iv) fourth, to the payment of any obligations of any Assignor under any environmental indemnity agreement; (v) fifth, to the payment of interest and principal then due with respect to the Indebtedness; (vi) sixth, to the establishment and maintenance of an escrow account for the payment of impositions on the Premises in accordance with the Loan Documents; (vii) seventh, to establish a fund to be held by Assignee in its general account, without interest, as additional security for the Indebtedness pending the cure of all Event of Defaults, and to be disbursed by Assignee in its reasonable discretion to permit such Event of Defaults to be cured; and (ix) eighth, after the cure of all Event of Defaults and only thereafter, the balance of the Rents shall be distributed to any Assignor or to the order of any Assignor.
- c. Assignor agrees that Assignee's exercise of its rights under this Section 9 shall give rise to neither (i) an accord and satisfaction with respect to any obligation not fully performed by such Assignor or completely satisfied through the application of Rents by Assignee nor (ii) a waiver of any rights or remedies of Assignee.
- d. Upon the cure of all Event of Defaults, Assignee may, in its sole and absolute discretion, by notice to any Assignor, reinstate either or both of the licenses granted to such Assignor under Sections 3 and 4 of this Assignment.
- 10. EXPENSES.** Assignor shall pay to Assignee on demand all costs and expenses (including but not limited to reasonable attorneys' fees and disbursements whether for internal or outside counsel) incurred by Assignee and/or the Co-Lender in connection with this Assignment, the Indebtedness or the Mortgage including reasonable costs of collection, of preserving or exercising any right or remedy of Assignee under this Assignment or any related assignment or guaranty, of workout or bankruptcy proceedings by or against Assignor, of defending against any claim asserted as a direct or indirect result of the Indebtedness or of performing any obligation of any Assignor pursuant to this Assignment or otherwise (including but not limited to payment of any amount any Assignor is obligated to pay pursuant to this Assignment and performance of any obligation of Assignor pursuant hereto). Assignee reserves the right to have Assignor pay, upon demand, administrative fee(s) in regard to any administrative action Assignee is required or requested to take including the preparation of discharges, releases or assignments to third parties. Costs and expenses shall accrue interest at the Default Rate set forth in the Note from the date of demand until payment is actually received by Assignee. Each such cost and expense and any interest thereon shall constitute part of the Indebtedness and be secured by this Assignment and may be added to the judgment in any suit brought by Assignee or its agents against any Assignor on this Agreement.
- 11. NOTICES.** Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Assignor or to Assignee, addressed as set forth below (or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 11). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal service and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (e.g., Federal Express). Notice by e-mail is not valid notice under this or any other assignment between any Assignor and Assignee.
-

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

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

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

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

- 12. NOTICE OF NON-COMPLIANCE.** Assignor shall notify Assignee in writing of any failure by any Assignor to comply with any provision of this Assignment or any Loan Document immediately upon learning of such non-compliance, or if any representation, warranty or covenant contained in any such document is no longer true. Assignor shall also immediately notify Assignee in writing if there is any material adverse change in any of the information or financial statements supplied to Assignee to induce Assignee or any affiliate of Assignee ("**Affiliate**") to extend credit to Assignor or any party which Assignor has guaranteed the debt of or if such information or financial statement is required under this Assignment or any Loan Document.
- 13. COVENANTS SHALL RUN WITH THE LAND.** The covenants and Assignor's obligation hereunder shall run with the land and bind Assignor, each heir, legal representative, successor and assign of Assignor and each subsequent owner, encumbrancer, tenant and subtenant of the Premises or any portion thereof, and shall inure to the benefit of, and be enforceable by, Assignee and each successor and assign of Assignee.
- 14. NONWAIVER.** All rights and remedies of Assignee under this Assignment and the Loan Documents are cumulative, and no right or remedy shall be exclusive of any other right or remedy. No single, partial or delayed exercise by Assignee or its agents of any right or remedy shall preclude full and timely exercise by Assignee or its agents at any time of any right or remedy of Assignee without notice or demand, at Assignee's sole option. No course of dealing or other conduct, no oral assignment or representation made by Assignee or its agents or usage of trade shall operate as a waiver of any right or remedy of Assignee. No waiver of any right or remedy of Assignee hereunder shall be effective unless made specifically in writing by Assignee. No notice or demand on an Assignor in any case shall entitle such Assignor to any other or further notice in similar or other circumstances.
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- 15. TERM; SURVIVAL.** The term of this Assignment shall continue until the Indebtedness has been fully and irrevocably paid to Assignee's satisfaction. Assignor's obligation to pay the costs and expenses hereunder shall survive the term of this Assignment. If after receipt of any payment of all or any part of the Indebtedness, Assignee is for any reason compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, impermissible set-off, or a diversion of trust funds, or for any other reason, this Assignment shall continue in full force notwithstanding any contrary action which may have been taken by Assignee in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Assignee's rights under this Assignment and shall be deemed to have been conditioned upon such payment having become final and irrevocable.
- 16. MISCELLANEOUS.** This Assignment is absolute and unconditional. All documents, including the Loan Documents and any other document required to be executed by an Assignor. Debtor (defined in the Mortgage) or Guarantor (defined in the Mortgage) in connection with the transaction contemplated hereby constitute the entire assignment and understanding between the parties hereto with respect to such transaction and supersedes all prior negotiations, courses of dealing, understandings, and agreements between such parties with respect to such transaction. This Assignment is a binding obligation enforceable against Assignor and its heirs and legal representatives and its successors and assigns and shall inure to the benefit of Assignee and its successors and assigns. Any reference herein to "Assignee" shall be deemed to include and apply to every subsequent holder of this Assignment and any reference herein to "Assignor" shall include; (i) any successor individual or individuals, association, partnership, limited liability company or corporation to which all or substantially all of the business or assets of Assignor shall have been transferred; (ii) in the case of a partnership Assignor, any new partnership which shall have been created by reason of the admission of any new partner or partners therein, or by reason of the dissolution of the existing partnership by voluntary assignment or the death, resignation or other withdrawal of any partner; and (iii) in the case of a corporate or limited liability company Assignor, any other entity into or with which Assignor shall have been merged, consolidated, reorganized, or absorbed. Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; the word "or" has the inclusive meaning represented by the phrase "and/or"; the word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and captions or section headings are solely for convenience and not part of the substance of this Assignment. Any representation, warranty, covenant or assignment therein shall survive execution and delivery of this Assignment and shall be deemed continuous. Each provision of this Assignment shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision nevertheless is held invalid, the other provisions shall remain in effect. Assignor agrees that in any legal proceeding, a photocopy of this Assignment kept in Assignee's course of business may be admitted into evidence as an original.
-

17. **JOINT AND SEVERAL.** If there is more than one Assignor, each of them shall be jointly and severally liable for all amounts and obligations which become due or should be performed under this Assignment and the term "Assignor" shall include each as well as all of them.
18. **GOVERNING LAW; JURISDICTION.** This Assignment has been delivered to and accepted by Assignee and will be deemed to be made in the State of New York. This Assignment will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **ASSIGNOR AND ASSIGNEE HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN NEW YORK STATE IN NEW YORK OR WESTCHESTER COUNTY AND CONSENT THAT ASSIGNEE MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT ASSIGNOR'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS ASSIGNMENT WILL PREVENT ASSIGNEE FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST ASSIGNOR INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF ASSIGNOR WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Assignor acknowledges and agrees that the venue provided above is the most convenient forum for both Assignee and Assignor. Assignor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Assignment.
19. **WAIVER OF JURY TRIAL.** ASSIGNOR AND ASSIGNEE HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY EACH WAIVE ANY RIGHT TO TRIAL BY JURY THEY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS ASSIGNMENT OR THE TRANSACTIONS RELATED THERETO. ASSIGNOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF ASSIGNEE HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT ASSIGNEE WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. ASSIGNOR ACKNOWLEDGES THAT ASSIGNEE HAS BEEN INDUCED TO ACCEPT THIS ASSIGNMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

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

CANARSIE PLAZA LLC

By: _____
Robert Masters
Senior Vice President

ACKNOWLEDGMENT

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

On the 12th day of January, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared **Robert Masters**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

CANARSIE PLAZA LLC (Assignor)

to

*MANUFACTURERS AND TRADERS TRUST COMPANY,
as administrative agent for itself and the Lending Group
(Assignee)*

GENERAL ASSIGNMENT OF RENTS

Dated: *January 12, 2010*

Premises: *8925 Foster Avenue,
8901 Avenue D,
8915 Avenue D,
870 Remsen Avenue,
856 Remsen Avenue,
8707 Foster Avenue
8709 Foster Avenue
Canarsie, New York*

Section: *24*

Block: *7920*

Lots: *1, 2, 3, 4, 5, 6 and 7*

Borough: *Brooklyn*

County: *Kings*

State: *New York*

RECORD AND RETURN TO:

*Susan Currie Morehouse, Esq.
DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
One North Lexington Avenue
White Plains, New York 10601*

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

dated as of March 3, 2010

among

ACADIA STRATEGIC OPPORTUNITY FUND II, LLC,
as Borrower,

and

BANK OF AMERICA, N.A.,
as Lender

and

BANK OF AMERICA, N.A., as Administrative Agent

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End of TOC - Do not delete this paragraph!

EXHIBITS

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B	Included Investors/Capital Commitments
C	Investor Acknowledgment
D	Note
E	Closing Certificate
F	Jurisdictions for Filing of Financing Statements
G	Borrowing Base Certificate
H	Capital Stock of Subsidiaries
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K	Form of Investor Reaffirmation
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M	Dore Assumption Agreement
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THIRD AMENDED AND RESTATED CREDIT AGREEMENT ("this Agreement") dated as of March 3, 2010 by and among ACADIA STRATEGIC OPPORTUNITY FUND II, LLC, a Delaware limited liability company ("Borrower"), ACADIA REALTY ACQUISITION II, LLC, a Delaware limited liability company ("Managing Member"), ACADIA INVESTORS II, INC., a Maryland corporation ("Acadia Investors II"), BANK OF AMERICA, N.A., successor by merger to Fleet National Bank (in its individual capacity and not as Administrative Agent, "BofA"; BofA and each other lender who may become a Lender pursuant to Section 10.10, each, a "Lender" and collectively, "Lenders") and BANK OF AMERICA, N.A., as Administrative Agent for Lenders (together with its successors in such capacity, "Administrative Agent").

WHEREAS, Fleet National Bank ("Fleet"), Borrower, Managing Member and Acadia Investors II entered into that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement");

WHEREAS, BofA is the successor by merger to Fleet;

WHEREAS, BofA, The Bank of New York Mellon, formerly known as The Bank of New York, Borrower ("BNYM"), Managing Member, Acadia Investors II and Administrative Agent entered into that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "Amended Agreement") and that certain Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 (the "Amendment");

WHEREAS, BofA, BNYM, Borrower, Managing Member, Acadia Investors II and Administrative Agent entered into that certain Second Amended and Restated Credit Agreement dated as of February 27, 2009 (the "Second Amended Agreement"; the Original Credit Agreement, as amended and restated by the Amended Agreement, as modified by the Amendment and as amended and restated by the Second Amended and Restated Credit Agreement, the "Original Agreement");

WHEREAS, pursuant to an Assignment and Assumption Agreement dated as of the date hereof by and between BNYM, as assignor, and BofA, as assignee, BNYM assigned all of its interest under the Original Agreement to BofA and BofA, as of the date hereof, is the only Lender;

WHEREAS, Borrower, Managing Member and Acadia Investors II have requested that Lenders extend the Maturity Date of the Original Agreement and Lenders have agreed, on the terms and conditions hereof, to do so; and

WHEREAS, Borrower desires that Lenders extend credit as provided herein, and Lenders are prepared to extend such credit on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, Borrower, Administrative Agent and Lenders hereby agree to the terms and provisions of the Original Agreement, as hereby amended and restated in their entirety, as follows:

PARTICULAR TERMS, DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. The following terms, as used herein, shall have the following meanings:

"Administrative Agent's Counsel" -- Schiff Hardin LLP, 900 Third Avenue, 23rd Floor, New York, New York 10022.

"Administrative Agent's Office" -- Administrative Agent's Office as set forth on its signature page of this Agreement, or such other address in the United States as Administrative Agent may designate by notice to Borrower and Lenders.

"Affiliate" -- As to any Person, any other Person (other than a Subsidiary thereof) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person (including, with its correlative meanings, "controlled by" and "under common control with") means the power, directly or indirectly, either to (a) vote 50% or more of the securities having ordinary voting power for the election of directors of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Outstanding Extensions of Credit" -- As to any Lender at any time, an amount equal to such Lender's Pro Rata Share of the sum of, without duplication, the aggregate Principal Amount plus the aggregate face amount of all Letters of Credit then outstanding plus the aggregate reimbursement obligations then outstanding.

"Applicable Lending Office" -- For each Lender and for the portions of the outstanding principal balance under its Note bearing interest based on the Prime Rate or the BBA LIBOR Daily Floating Rate, as applicable, the lending office of such Lender (or of an affiliate of such Lender) designated as such on the signature page hereof or in the applicable Assignment and Assumption Agreement, or such other office of such Lender (or of an affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent and Borrower as the office by which the portions of the outstanding principal balance under its Note bearing interest based on the Prime Rate or the BBA LIBOR Daily Floating Rate are to be made and maintained.

"Applicable Margin" -- 3.25% per annum, provided, however, that if at any time the aggregate Unpaid Capital Commitments of all Included Investors having a long-term senior unsecured credit rating of A or better from S&P is less than fifty percent (50%) of the aggregate Unpaid Capital Commitments of all Investors, then immediately upon such condition coming into existence the Applicable Margin shall increase by 0.25% per annum.

"Applicable Requirement" -- Any Investor that has a long-term senior unsecured indebtedness rating of BBB+/Baa1 or better. The first rating indicated above is the S&P rating and the second rating indicated above is the Moody's rating. In the event that the ratings are not equivalent, the Applicable Requirement shall be based on the lower of the two (i.e., if an Investor does not meet the minimum rating from both such rating agencies, the Applicable Requirement is not met by such Investor). In the event an Investor has only one rating, that rating shall apply.

"Approved Use" -- Has the meaning specified in Section 5.16.

"Assignee" -- Has the meaning specified in Section 10.10.

"Assignment and Assumption Agreement" -- An Assignment and Assumption Agreement, substantially in the form of Exhibit I, pursuant to which a Lender assigns and an Assignee assumes rights and obligations in accordance with Section 10.10.

"Authorization Letter" -- The letter in the form of Exhibit A.

"Available Commitment" -- From time to time the lesser of (i) the Total Commitment, as such Total Commitment may be reduced pursuant to Section 2.14, and (ii) the sum of (x) ninety percent (90%) of the Unpaid Capital Commitments of all Included Investors which satisfy the Applicable Requirement plus (y) if and only if no Exclusion Event has occurred with respect to Managing Member, fifty percent (50%) of the Unpaid Capital Commitments of Managing Member, regardless of whether or not Managing Member satisfies the Applicable Requirement, plus (z) eighty percent (80%) of the Unpaid Capital Commitments of all other Included Investors.

"BBA LIBOR" -- Has the meaning provided to such term in Section 2.08.

"BBA LIBOR Daily Floating Rate" -- Has the meaning provided to such term in Section 2.08.

"Borrowing Date" -- Any Business Day specified in a notice pursuant to Section 2.05 as a date on which Borrower requests Lenders to make Loans hereunder.

"Business Day" -- Any day on which commercial banks are not authorized or required to close in New York City; and, whenever such day relates to BBA LIBOR, any such day in which dealings in Dollar deposits are also carried out in the London interbank market and banks are also open for business in London.

"Capital Call" -- A call upon the Investors in Borrower and/or Acadia Investors II to fund all or any portion of the Capital Commitments pursuant to and in accordance with the Stockholders Agreement and/or in accordance with the Operating Agreement.

"Capital Commitments" -- The commitment of each Investor to make Capital Contributions, directly or indirectly, to fund Borrower in the amount set forth in, and pursuant to the terms of, the Stockholders Agreement and the Operating Agreement.

"Capital Contributions" -- With respect to any partner or member in Borrower, cash payments or contributions by such partner or member to Borrower pursuant to Article V of the Operating Agreement and, with respect to any other Investor, cash payments or contributions by such Investor to Acadia Investors II pursuant to Section 6 of the Stockholders Agreement.

"Capital Contributions Pledge Agreement" -- Collectively, the Amended and Restated Capital Contributions Pledge Agreements dated as of March 21, 2006 and executed and delivered by Borrower and Acadia Investors II, as the same may be amended, supplemented or otherwise modified from time to time.

"Capital Demand Notice" -- Any notice sent to the Investors in connection with a Capital Call.

"Capital Stock" -- Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all similar ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Collateral Agreement" -- The Amended and Restated Cash Collateral Agreement to be executed and delivered by Borrower dated as of March 21, 2006, as the same may be amended, supplemented or otherwise modified from time to time.

"Cash Equivalents" -- (a) Securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and eurodollar time deposits with maturities of ninety (90) days or less from the date of acquisition and overnight bank deposits of any Lender or of any commercial bank having capital and surplus in excess of \$500,000,000, (c) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than seven (7) days with respect to securities issued or fully guaranteed or insured by the United States Government, (d) commercial paper of a domestic issuer rated at least A-2 or the equivalent thereof by S&P or P-2 or the equivalent thereof by Moody's and in either case maturing within ninety (90) days after the date of acquisition, (e) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's, (f) securities with maturities of ninety (90) days or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Closing Date" -- The date of this Agreement as first set forth above.

"Code" -- The Internal Revenue Code of 1986, as amended from time to time.

"Collateral" -- (i) All of Borrower's rights and interests in, to and under the Operating Agreement, and in and to the obligations of the Investors pursuant to the Operating Agreement, now owned or hereafter acquired, to make Capital Calls, to receive Capital Contributions, and to enforce the payment thereof and the terms of the Operating Agreement, (ii) all of Managing Member's rights and interests in, to and under the Operating Agreement, including without limitation Managing Member's rights to make calls for and receive payment of Capital Contributions and to enforce the payment thereof, (iii) all of Acadia Investors II's rights and interests in, to and under the Stockholders Agreement, and in and to the obligations of the Investors pursuant to the Stockholders Agreement, now owned or hereafter acquired, to make Capital Calls, to receive Capital Contributions, and to enforce the payment thereof and the terms of the Stockholders Agreement, (iv) all of Acadia Investors II's rights and interests in, to and under the Stockholders Agreement, including without limitation Acadia Investors II's rights to make calls for and receive payment of Capital Contributions and to enforce the payment thereof and the terms of the Stockholders Agreement, (v) all funds now or hereafter deposited into the Subscription Account, and (vi) any other property upon which a Lien has been or is purported or intended to have been granted to Administrative Agent, for the benefit of Lenders, under the Capital Contributions Pledge Agreement, the Managing Member Security Agreement or the Cash Collateral Agreement.

"Credit Amount" -- \$40,000,000, provided that, effective from and after September 30, 2010, the Credit Amount shall be \$30,000,000.

"Credit Documents" -- This Agreement, each Note, each application referred to in Section 2.17(f), the Guaranty, the Security Documents, the Authorization Letter, the Investor Acknowledgments, any guarantees or documents of assurance given by direct investors in Borrower to Administrative Agent and/or Lenders, Uniform Commercial Code financing statements in respect of the Collateral and any other collateral given as security for the Credit Facility or the Obligations, and any other documents which evidence or secure the Credit Facility or the Obligations.

"Credit Facility" -- The credit facility, in an amount up to the Credit Amount, to be provided pursuant to this Agreement including both the making of Loans and the issuance of Letters of Credit.

"Credit Parties" -- Borrower, Managing Member and Acadia Investors II.

"Default" -- Any event or circumstance which, with the giving of notice or the passage of time, or both, would become an Event of Default.

"Default Rate" -- The Prime Based Rate plus 4% per annum.

"Dollars" and "\$" -- Lawful money of the United States.

"Dore Assumption Agreement" -- An Assumption of Investor Acknowledgment Obligations in the form attached hereto as Exhibit M with such changes as Administrative Agent may approve.

"Dore LP" -- Dore Capital Real Estate, L.P., a Delaware limited partnership.

"Employee Benefit Plan" -- Any employee benefit or other plan established or maintained, or to which contributions have been made, by Borrower or Guarantor.

"Environmental Laws" -- Any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other requirements of Law regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or for the protection of human health from environmental dangers, as now or may at any time hereafter be in effect.

"ERISA" -- The Employee Retirement Income Security Act of 1974, as amended from time to time, including the rules and regulations promulgated thereunder.

"ERISA Affiliate" -- Any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as Borrower and/or Guarantor, or any trade or business which is under common control (within the meaning of Section 414(c) of the Code) with Borrower and/or Guarantor, or any organization which is required to be treated as a single employer with Borrower and/or Guarantor under Section 414(m) or 414(o) of the Code.

"ERISA Investor" -- An Investor that is an "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) subject to Title IV and Title I, Subtitle B, Part 3 of ERISA, a group trust, as described in Revenue Ruling 81-100, or a partnership or commingled account or fund which is subject to Title I of ERISA.

"ERISA Group" -- Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Event of Default" -- Has the meaning given to such term in Article VIII.

"Exclusion Event" -- Has the meaning given to such term in Section 2.14.

"Federal Funds Rate" -- For any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upwards to the next higher 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by Administrative Agent.

"Financial Statements" -- Statements of the assets, liabilities (direct or contingent), income, expenses and cash flow of Borrower and Guarantor, prepared in accordance with GAAP.

"Financing Lease" -- Any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"GAAP" -- Generally accepted accounting principles in the United States of America as in effect from time to time and consistently applied.

"Gloster Principal Reaffirmations" -- Has the meaning specified in Section 6.14.

"Governing Documents" -- As to any Person, its articles or certificate of incorporation and by-laws, its partnership agreement, its certificate of formation and operating agreement, and/or the other organizational or governing documents of such Person.

"Governmental Authorities" -- The United States, any state and any political subdivision, agency, department, commission, board, bureau or instrumentality of either of them, including any local authorities, which exercises jurisdiction over Borrower, Guarantor or any of the other Credit Parties or any Investor.

"Governmental Plan Investor" -- An Investor that is a "governmental plan" as defined in Section 3(32) of ERISA.

"Guarantee Obligation" -- As to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by Borrower in good faith.

"Guarantor" -- Acadia Realty Limited Partnership, a Delaware limited partnership, which is the sole member of Managing Member.

"Guaranty" -- That certain Amended and Restated Guaranty of Capital dated as of March 21, 2006 made by Acadia Realty Limited Partnership to Lenders and Administrative Agent whereby Acadia Realty Limited Partnership has guaranteed payment of the Capital Commitment of Managing Member to Borrower.

"Included Investors" -- Investors (a) as to which no Exclusion Event has occurred, (b) which either (i) meet the Applicable Requirement or (ii) are The DuPont Pension Trust, Carnegie Corporation of New York, The William and Flora Hewlett Foundation or any other Investors which do not meet the Applicable Requirement and which are approved as "Included Investors" from time to time, by Administrative Agent and 100% of Lenders in writing and in the sole and absolute discretion of Administrative Agent and each Lender or (iii) Dore LP but only if and for so long as all of the following conditions remain satisfied: (w) Dore LP has executed and delivered the Dore Assumption Agreement, the Dore Assumption Agreement remains in full force and effect and Dore LP is not in default of its obligations under the Dore Assumption Agreement, (x) Vanderbilt has executed and delivered the Vanderbilt Guaranty, the Vanderbilt Guaranty is in full force and effect and Vanderbilt is not in default of its obligations under the Vanderbilt Guaranty, (y) Vanderbilt retains 100% of the ownership interests in Dore LP and (z) Vanderbilt satisfies the Applicable Requirement; and (c) which are not otherwise excluded from being Included Investors by Administrative Agent in its reasonable discretion; provided, however, that from and after the first date that an Investor ceases to be an Included Investor pursuant to Section 2.14, such Investor shall cease to be one of the Included Investors hereunder until such time as all Exclusion Events with respect to such Investor shall have been cured to the reasonable satisfaction of Administrative Agent and 100% of the Lenders or such Investor shall have been approved as an Included Investor in the sole and absolute discretion of Administrative Agent and 100% of Lenders. The Included Investors as of the Closing Date are listed on Exhibit B attached hereto and made a part hereof. Notwithstanding anything to the contrary contained herein, in no event shall either of Managing Member or Acadia Investors II be considered an Included Investor.

"Indebtedness" -- Of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) including any unfunded commitments to lend money to such Person, or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person under Financing Leases, (d) all obligations of such Person in respect of letters of credit, acceptances or similar instruments issued or created for the account or upon the application of such Person and (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

"Individual Commitment" -- With respect to each Lender, the amount set forth below opposite the name of such Lender (subject to change in accordance with the terms of this Agreement).

<u>Lender</u>	<u>Individual Commitment until September 30, 2010</u>	<u>Individual Commitment from and after September 30, 2010</u>
BofA	\$40,000,000	\$30,000,000

"Initial Advance" -- The first advance of proceeds of any Loan or the first issuance of a Letter of Credit to be made hereunder, whichever occurs first.

"Investments" -- Has the meaning specified in the Operating Agreement.

"Investor Acknowledgment" -- The acknowledgment executed and delivered by each Investor, substantially in the form of Exhibit C hereto, as the same may be reaffirmed, amended, supplemented or otherwise modified from time to time in accordance with this Agreement.

"Investor Claims" -- All debts and liabilities of an Investor, in its capacity as a member in Borrower, to Borrower, and/or as a shareholder in Acadia Investors II, to Acadia Investors II, in either case whether such debts and liabilities now exist or hereafter are incurred or arise, or whether the obligations of such Investor therein be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities are evidenced by a note, contract, bargain account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be, created, or the manner in which they have been or may hereafter be acquired by Borrower or Acadia Investors II. "Investor Claims" shall include, without limitation, all rights and claims of Borrower against an Investor under the Operating Agreement and of Acadia Investors II against an Investor under the Stockholders Agreement.

"Investor Guarantor" -- Any entity which has guaranteed to Lenders the payment and/or funding of all or any portion of any Investor's Capital Commitments.

"Investor Reaffirmations" -- Has the meaning specified in Section 6.14.

"Investors" -- From time to time, Managing Member, Acadia Investors II, each of the other members of Borrower and all stockholders of Acadia Investors II.

"Issuance Date" -- Any Business Day specified in a notice pursuant to Section 2.05 as a date on which Borrower requests Issuing Bank to issue a Letter of Credit hereunder.

"Issuing Bank" -- Has the meaning given to such term in Section 2.17(a).

"Law" -- Any federal, state or local law, statute, rule, regulation, ordinance, order, decree, directive, requirement, code, notice of violation or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, determination, consent decree or judgment.

"L/C Fee" -- Has the meaning given to such term in Section 2.17.

"Lead Arranger" -- Banc of America Securities LLC.

"Lender Reply Period" -- Has the meaning specified in Section 10.09.

"Letters of Credit" -- Has the meaning given to such term in Section 2.17.

"Lien" -- Any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing), and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing.

"Loan" -- Has the meaning given to such term in Section 2.01.

"Managing Member Security Agreement" -- The Amended and Restated Security Agreement dated as of March 21, 2006 executed by Managing Member in favor of Administrative Agent for the benefit of Lenders, as amended, supplemented, or modified from time to time.

"Material Adverse Effect" -- (a) A material adverse effect on the business, operations, property, condition (financial or otherwise) or prospects of Borrower or (b) a material adverse effect on the validity or enforceability of this Agreement or any of the other Credit Documents or the Investor Acknowledgments or the rights or remedies of Administrative Agent or Lenders hereunder or thereunder, or (c) any circumstances or events which could reasonably be expected to materially impair, impede, or jeopardize the obligation and the liability of Managing Member or Acadia Investors II to fulfill their obligations under the Operating Agreement.

"Material Plan" -- At any time a Plan or Plans having aggregate Unfunded Liabilities in an amount that would have a Material Adverse Effect if such Plans were terminated.

"Materials of Environmental Concern" -- Any gasoline or petroleum products (including crude oil) or any fraction thereof or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Maturity Date" -- March 1, 2011

"Moody's" -- Moody's Investor Service, Inc.

"Multiemployer Plan" -- Any plan defined as such in Section 3(37) of ERISA.

"Note"; "Notes" -- Have the respective meanings specified in Section 2.06.

"Obligations" -- The unpaid principal amount of, and interest (including, without limitation, interest accruing after the maturity of the Credit Facility and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) on the Loans, and all other obligations and liabilities of the Credit Parties and Guarantor to Administrative Agent and Lenders, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, or out of or in connection with, this Agreement, the Notes, the Letters of Credit, the Security Documents and any other Credit Documents and any other document made, delivered or given in connection therewith or herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all reasonable fees and disbursements of counsel to Administrative Agent or to Lenders that are required to be paid by a Credit Party or Guarantor pursuant to the terms of the Credit Documents) or otherwise.

"Operating Agreement" -- That certain Amended and Restated Operating Agreement of Borrower by and among Managing Member and Acadia Investors II dated as of October 15, 2004 (effective as of August 15, 2004), as amended by First Amendment to Amended and Restated Operating Agreement of Borrower by and among Managing Member and Acadia Investors II dated as of August 15, 2004 as supplemented by that certain Pledge Agreement dated as of June 15, 2004 from Acadia Investors II, Inc. to Borrower, and as amended by Second Amendment to Amended and Restated Operating Agreement of Borrower by and among Managing Member and Acadia Investors II dated as of January 1, 2006 and as the same may hereafter be modified in compliance with the terms of this Agreement.

"Participant"; "Participation" -- Have the meanings specified in Section 10.10.

"Payor" -- Has the meaning given to such term in Section 9.12(a).

"PBGC" -- The Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Pending Capital Call" -- A Capital Call made upon the Investors of Borrower no more than fifteen (15) days prior to the date of determination, which Capital Call has not yet been funded by any of the Investors.

"Pension Plan" -- Any employee pension benefit plan within the meaning of Section 3(2) of ERISA with respect to which Borrower, Guarantor or any ERISA Affiliate at any relevant time has liability or an obligation to contribute.

"Person" -- An individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity of whatever nature.

"Plan" -- At any time an employee pension benefit plan within the meaning of Section 3(2) of ERISA that is maintained or contributed to by any member of the ERISA Group.

"Prime Based Rate" -- On any day, the rate of interest per annum equal to the Applicable Margin plus the Prime Rate, each change in said rates to be effective, without notice or demand of any kind, as of the date of such change.

"Prime Rate" -- On any day, the rate of interest per annum then most recently established by the Person serving as Administrative Agent as its "prime rate," it being understood and agreed that such rate is set by the Person serving as Administrative Agent as a general reference rate of interest, taking into account such factors as the Person serving as Administrative Agent may deem appropriate, that it is not necessarily the lowest or best rate actually charged to any customer or a favored rate, that it may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that the Person serving as Administrative Agent may make various business or other loans at rates of interest having no relationship to such rate. If the Person serving as Administrative Agent (including any subsequent holder of such position) ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

"Principal Amount" -- At any time, the aggregate outstanding principal amount of the Notes.

"Pro Rata Share" -- With respect to each Lender, the ratio of such Lender's Individual Commitment to the Credit Amount. As of the date hereof, Lenders' respective Pro Rata Shares are as follows:

<u>Lender</u>	<u>Pro Rata Share</u>
BofA	100%

"Regulation D" and "Regulation U" -- Respectively, Regulation D and Regulation U of the Board of Governors of the Federal Reserve System.

"Required Lenders" -- At any time, those Lenders whose aggregate Pro Rata Shares exceed 50%.

"Required Payment" -- Has the meaning given to such term in Section 9.12(a).

"Requisition" -- A written statement by or on behalf of Borrower, in form and substance satisfactory to Administrative Agent, setting forth in each instance the aggregate amount of the Loans requested to be borrowed or the amount of the Letter of Credit requested to be issued, and certifying the purpose for which the proceeds of such Loans are or such Letter of Credit is to be used.

"Responsible Party" -- For any Governmental Plan Investor, (a) if the state under which such Governmental Plan Investor operates is obligated to fund such Governmental Plan Investor and is liable to fund any shortfalls, such state, and (b) otherwise, the Governmental Plan Investor itself.

"S&P" -- Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Security Documents" -- The collective reference to the Capital Contributions Pledge Agreement, the Managing Member Security Agreement and the Cash Collateral Agreement, and all other security documents at any time delivered to Lenders and/or Administrative Agent granting a Lien on any asset or assets of any Person to secure any of the Obligations or to secure any guarantee of any such Obligations.

"Sponsor" -- For any ERISA Investor, the "plan sponsor" within the meaning of Section 3(16)(B) of ERISA.

"Stockholders Agreement" -- That certain Amended and Restated Stockholders Agreement by and among Acadia Investors II, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, Gloster, LLC, The Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004), as amended by First Amendment to Stockholders Agreement by and among Acadia Investors II, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford University, Gloster, LLC, The Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of August 15, 2004.

"Subscription Account" -- The collateral account established by Borrower at Bank of America, N.A., in the name of Administrative Agent, as secured party, and identified as follows: Acadia Strategic Opportunity Fund II, LLC, Account #9489651466, ABA #02120039, Bank of America, N.A., One Bryant Park, 35th Floor, New York, New York 10036.

"Subsidiary" -- As to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Borrower.

"Supplemental Fee Letter" -- Collectively, that certain letter agreement dated as of January 30, 2009 among BofA, Lead Arranger and Borrower and that certain letter agreement dated as of the date hereof among BofA, Lead Arranger and Borrower, providing for Borrower's payment to Lead Arranger and/or BofA on the date hereof and from time to time hereafter certain fees in connection with the Credit Facility, each such fee to be for Lead Arranger's and/or BofA's own account.

"Termination Event" -- (i) A "reportable event", as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for thirty (30) day notice to the PBGC), or an event described in Section 4062(e) of ERISA, (ii) the withdrawal by any member of the ERISA Group from a Multiemployer Plan or the incurrence of liability by any member of the ERISA Group upon the termination of a Multiemployer Plan, (iii) the filing of a notice of intent to terminate any Plan under Section 4041 of ERISA, other than in a standard termination within the meaning of Section 4041 of ERISA, or the treatment of a Plan amendment as a distress termination under Section 4041 of ERISA, (iv) the institution by the PBGC of proceedings to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or cause a trustee to be appointed to administer, any Plan or (v) any other event or condition that might reasonably constitute grounds for the involuntary termination of, or the appointment of a trustee by the PBGC to administer, any Plan or the imposition of any Lien on the assets of any member of the ERISA Group.

"Total Commitment" -- \$40,000,000, provided that, effective from and after September 30, 2010, the Credit Amount shall be \$30,000,000 (subject to further change in accordance with the terms of this Agreement).

"Unfunded Liabilities" -- With respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for such purposes, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"Unpaid Capital Commitments" -- At any time (x) the aggregate Capital Commitments, including amounts which are subject to any Pending Capital Call under the Stockholders Agreement, provided, however, that to avoid double counting, the Capital Commitment of Acadia Investors II shall not be counted since such Capital Commitment is, in effect, a pass-through of the Capital Commitments of Investors under the Stockholders Agreement less (y) the aggregate Capital Calls made upon the Investors regardless of whether the Investors have actually funded all such Capital Calls.

"Unused Commitment" -- At any time, an amount equal to the excess, if any, of (a) the Total Commitment over (b) the Aggregate Outstanding Extensions of Credit of all Lenders.

"Unused Fee" -- 0.30%.

"United States" and "U.S." -- The United States of America.

"Vanderbilt" -- The Vanderbilt University, a corporation organized under the laws of the State of Tennessee.

"Vanderbilt Guaranty" -- A guaranty in the form attached hereto as Exhibit N with such changes as Administrative Agent may approve.

Section 1.02. Rules of Construction. Except as expressly provided otherwise, when used in this Agreement (i) "or" is not exclusive, (ii) "hereunder", "herein", "hereof" and the like refer to this Agreement as a whole, (iii) "Article", "Section", "Schedule" and "Exhibit" refer to Articles, Sections, Schedules and Exhibits of this Agreement, (iv) terms defined in the singular shall have a correlative meaning when used in the plural and vice versa, (v) a reference to a Law includes any amendment, modification or supplement to, or replacement of, such Law and (vi) a reference to a document shall mean such document as the same may be amended, modified or supplemented from time to time in accordance with its terms. The cover page and the Exhibits and Schedules annexed hereto are incorporated as a part of this Agreement with the same effect as if set forth in the body hereof. Any table of contents and all captions and headings herein are for convenience only and shall not affect the interpretation or construction hereof.

ARTICLE II

THE CREDIT FACILITY

Section 2.01. Generally.

(a) Subject to the terms and conditions of this Agreement, each Lender severally agrees to make loans to Borrower (each, a "Loan" and, collectively, "Loans") or to issue or participate in Letters of Credit, in each case subject to the provisions of this Agreement, and on the basis of the representations, warranties and covenants made herein and in the other Credit Documents, in periodic disbursements as hereinafter set forth. Lenders shall from time to time advance and re-advance to Borrower (or issue Letters of Credit in accordance with Section 2.17) in amounts not to exceed an amount equal to the excess of the Available Commitment over the Aggregate Outstanding Extensions of Credit. Within the limits set forth herein, Borrower may borrow and request other extensions of credit from time to time under this Article II and may prepay from time to time pursuant to this Agreement and the Notes (subject, however, to the restrictions on prepayment set forth herein and therein), and thereafter re-borrow and request other extensions of credit pursuant to this Article II. On the date hereof following principal payments made on the date hereof by Borrower under the Original Agreement, the Principal Amount is \$40,000,000.

(b) Notwithstanding anything to the contrary contained herein, the aggregate amount of Loans to be made, and Letters of Credit to be issued, and outstanding hereunder shall not at any time exceed the Available Commitment.

Section 2.02. Nature of Lenders' Obligations. The obligations of Lenders under this Agreement are several, and no Lender shall be responsible for the failure of any other Lender to make or participate in any extension of credit under the Credit Facility to be made or participated in by such other Lender. However, the failure of any Lender to make or participate in any extension of credit under the Credit Facility to be made or participated in by it hereunder on the date specified therefor shall not relieve any other Lender of its obligation to make or participate in any extension of credit under the Credit Facility specified hereby to be made or participated in by it on such date.

Section 2.03. Purpose. Borrower shall use the proceeds of the Loans, and the other extensions of credit hereunder, for business purposes permitted under the Operating Agreement and Section 2.17. In no event shall extensions of credit under the Credit Facility be used in a manner that would violate Regulation U or in connection with a hostile acquisition or for any illegal purpose.

Section 2.04. Amounts of Loans. The Initial Advance in the form of Loans by Lenders shall be in the minimum amount of \$100,000 and in integral multiples of \$25,000 above such amount unless otherwise agreed by Administrative Agent, and shall be made upon satisfaction of the conditions set forth in Section 4.01. Subsequent Loans by Lenders shall be made no more frequently than monthly thereafter, upon satisfaction of the conditions set forth in Section 4.02. The amount of each Loan by Lenders subsequent to the Initial Advance shall be in the minimum amount of \$100,000 (unless less than said amount is available for disbursement pursuant to the terms hereof at the time of such Loan, in which case the amount of such Loan shall be equal to such remaining availability) and in integral multiples of \$25,000 above such amount.

Section 2.05. Procedure for Loans or Letter of Credit Issuance. Prior to the Maturity Date, Borrower may borrow Loans under the Credit Facility or request issuance of a Letter of Credit on any Business Day in an aggregate principal amount not exceeding the lesser of (A) the aggregate Unused Commitments then in effect and (B) the Available Commitment then in effect minus the Aggregate Outstanding Extensions of Credit of all Lenders, provided that Borrower shall give Administrative Agent irrevocable Requisition (which Requisition must be received by Administrative Agent prior to 10:00 a.m., New York time, four (4) Business Days prior to the requested Borrowing Date, which shall include a certification of Borrower specifying (a) in the case of a borrowing of Loans, (i) the amount to be borrowed, (ii) the requested Borrowing Date, and (iii) in reasonable detail, the Approved Use for which such borrowing is being made and representing that such Approved Use is in compliance in all respects with the terms of the Operating Agreement, the Stockholders Agreement and the Credit Documents and (b) in the case of the issuance of a Letter of Credit, the information described in Section 2.17(a). Administrative Agent, upon its receipt and approval of the request for a borrowing of Loans, will notify all Lenders either by telephone or facsimile. Not later than 10:00 a.m. (New York time) on the applicable Borrowing Date, each Lender shall, through its Applicable Lending Office and subject to the conditions of this Agreement, make its Pro Rata Share of the total amount of the Loan to be made on such Borrowing Date available to Administrative Agent, at Administrative Agent's Office and in immediately available funds for the account of Borrower. The amount so received by Administrative Agent shall, subject to the conditions of this Agreement, be made available to Borrower, in immediately available funds, by Administrative Agent's crediting an account of Borrower designated by Borrower in its Requisition for such Loans.

Section 2.06. Notes. The Loans shall be evidenced by a note or notes of Borrower in the form of Exhibit D, duly completed and executed by Borrower (one for each Lender in an amount equal to such Lender's Individual Commitment, payable for the account of such Lender's Applicable Lending Office), in an aggregate principal amount equal to the Credit Amount (such notes, as the same may hereafter be amended, modified, extended, severed, assigned, substituted, renewed or restated from time to time (including, without limitation, any substitute notes pursuant to Section 10.10), each, a "Note" and collectively, the "Notes"). The Notes include the existing Notes delivered to Lenders pursuant to the Original Agreement. The Notes shall mature, and all outstanding principal and other sums thereunder shall be paid in full, on the Maturity Date, as the same may be accelerated or extended.

In case of any loss, theft, destruction or mutilation of any Lender's Note, Borrower shall, upon its receipt of an affidavit of an officer of such Lender as to such loss, theft, destruction or mutilation and, in the case of any such loss, theft or destruction, an appropriate indemnification, execute and deliver a replacement Note to such Lender in the same principal amount and otherwise of like tenor as the lost, stolen, destroyed or mutilated Note.

Section 2.07. Payments and Distributions. Borrower shall make each payment under this Agreement and under the Notes not later than 11:00 a.m. (New York time) on the date when due to Administrative Agent at Administrative Agent's Office in immediately available funds. Administrative Agent will thereafter, on the day of its receipt of each such payment, cause to be distributed to each Lender such Lender's appropriate share of the payments of principal and interest, and its appropriate share of the payments of other sums, in like funds for the account of such Lender's Applicable Lending Office. Payments by Borrower hereunder or under the Notes or other Credit Documents shall be made without setoff or counterclaim.

Except to the extent otherwise provided in this Agreement, whenever any payment to be made under this Agreement or under the Notes is due on any day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest and, if applicable, fees, as the case may be.

Each Lender's interest in the Credit Facility shall be of equal priority with the interest of each other Lender.

Section 2.08. Interest.

(a) The unpaid Principal Amount of the Loan from day to day outstanding which is not past due, shall bear interest at a fluctuating rate of interest equal to the BBA LIBOR Daily Floating Rate plus the Applicable Margin. The "BBA LIBOR Daily Floating Rate" shall mean a fluctuating rate of interest equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by Administrative Agent from time to time) as determined for each Business Day at approximately 11:00 a.m. London time two (2) London Banking Days prior to the date in question, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term, as adjusted from time to time in Administrative Agent's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate will be determined by such alternative method as reasonably selected by Administrative Agent. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars. Interest shall be computed for the actual number of days which have elapsed, on the basis of a 360-day year.

(b) If Administrative Agent determines that no adequate basis exists for determining the BBA LIBOR Daily Floating Rate or that the BBA LIBOR Daily Floating Rate will not adequately and fairly reflect the cost to Lenders of funding the Loan, or that any applicable law or regulation or compliance therewith by any Lender prohibits or restricts or makes impossible the charging of interest based on the BBA LIBOR Daily Floating Rate and such Lender so notifies Administrative Agent and Borrower, then until Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, interest shall accrue and be payable on the unpaid principal balance of this Loan from the date Administrative Agent so notifies Borrower until the Maturity Date of this Loan (whether by acceleration, declaration, extension or otherwise) at a fluctuating rate of interest equal to the Prime Based Rate. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

Section 2.09. Default Rate. If any amount payable by Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable law.

Section 2.10. Intentionally Omitted.

Section 2.11. Intentionally Omitted.

Section 2.12. Late Payment Premium. Borrower shall pay to Administrative Agent for the account of Lenders a late payment premium in the amount of 5% of any payments of principal or interest of any Loan made more than ten (10) days after the due date thereof, which late payment premium shall be due with any such late payment.

Section 2.13. Voluntary Prepayments. Borrower may, upon at least five (5) Business Days' notice (which notice shall be irrevocable) to Administrative Agent (which shall promptly notify each Lender), prepay the Principal Amount, in whole or part, without premium or penalty; provided, however, that (i) any partial prepayment under this Section shall be in a principal amount of not less than \$100,000 and an integral multiple of \$25,000 and (ii) each prepayment under this Section shall include all interest accrued on the amount of principal prepaid (and all late charges and other sums that may be payable) through the date of prepayment. Amounts prepaid may be reborrowed but only in strict accordance with the terms hereof.

Section 2.14. Non-Included Investors; Mandatory Reduction of Available Commitment.

(a) During the continuance of any of the following events or conditions an Investor shall not be, and upon the occurrence of any one of the following events or existence of any one of the following conditions (each, an "Exclusion Event"), an Investor shall cease to be, an Included Investor (or, in the case of Managing Member, shall cease to be included in the calculation of the Available Commitment):

(i) such Investor or its Sponsor or Responsible Party or Investor Guarantor, if any, shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(ii) an involuntary case or other proceeding shall be commenced against such Investor or its Sponsor or Responsible Party or Investor Guarantor, if any, seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief shall be entered against such Investor or its Sponsor or Responsible Party or Investor Guarantor, if any, under the federal bankruptcy laws as now or hereafter in effect;

(iii) such Investor shall fail to timely fund a Capital Call subject to notice and time to cure in accordance with the terms of the Operating Agreement or the Stockholders Agreement (which cure period shall in no event exceed thirty (30) days), shall repudiate, challenge or declare unenforceable its obligation to fund Capital Contributions, or shall otherwise disaffirm, opt out of, be excused from or default under, or breach the terms of, the Stockholders Agreement or the Operating Agreement in any material respect;

(iv) one or more judgments or decrees in an aggregate amount equal to ten percent (10%) or more of its net worth shall be entered by a court or courts of competent jurisdiction against such Investor or its Sponsor or Responsible Party or Investor Guarantor, if any (other than any judgment as to which, and only to the extent, a reputable insurance company has acknowledged coverage of such claim in writing or has acknowledged in writing its willingness to defend any such claim under a reservation of rights), and (A) any such judgments or decrees shall not be stayed, discharged, paid, bonded or vacated within thirty (30) days or (B) enforcement proceedings shall be commenced by any creditor on any such judgments or decrees;

(v) such Investor or its Investor Guarantor, if any, shall breach any obligation acknowledged under or made to Administrative Agent and Lenders in its Investor Acknowledgment, in any guaranty related to such Investor Acknowledgment or in the Stockholders Agreement in any material respect, or any representation, warranty, certification or statement made by or on behalf of such Investor or its Investor Guarantor, if any, in the Stockholders Agreement, its Investor Acknowledgment, in any guaranty related to such Investor Acknowledgment or in any certificate, financial statement or other document delivered pursuant to this Agreement or such documents, shall have been false or misleading when made and such false or misleading statements could reasonably be expected to have a material adverse effect on the ability of such Investor to fund its Capital Commitment;

(vi) any Investor or its Investor Guarantor, if any, which meets the Applicable Requirement as of the date hereof failing to maintain the Applicable Requirement;

(vii) a material adverse change in the financial condition of such Investor or its Investor Guarantor, if any, as determined in Administrative Agent's sole and absolute discretion;

(viii) the transfer or assignment of its indirect interest in Borrower, or withdrawal from, Borrower or Acadia Investors II by such Investor;

(ix) the failure by such Investor to comply in any material respect with the terms of, or the provisions of the Operating Agreement or the Stockholders Agreement acknowledged in, its Investor Acknowledgment, after Administrative Agent has notified Borrower in writing that such failure has occurred and will be treated as an Exclusion Event, and such Investor fails to comply with such terms or provisions within fifteen (15) Business Days after Administrative Agent's delivery of such notice to Borrower; or

(x) the failure by Managing Member or Acadia Investors II to deliver to Administrative Agent within forty-five (45) days after notice thereof is delivered to Borrower (A) the financial statements required to be delivered by such Investor pursuant to the Investor Acknowledgment executed by such Investor, and (B) from time to time upon the reasonable request of Administrative Agent, a certificate for such Investor setting forth the remaining amount of its Capital Commitment which it is obligated to fund.

(b) In the event that at any time and from time to time that any Included Investor ceases to be an Included Investor Administrative Agent shall recalculate the Available Commitment based upon the omission of such Investor's Capital Commitment (which recalculation shall be binding upon Borrower absent manifest error). If following such recalculation the Aggregate Outstanding Extensions of Credit of Lenders exceed the Available Commitment, Borrower shall repay the Loans and/or deliver cash collateral for the Obligation to Administrative Agent in an amount equal to such excess pursuant to and in accordance with Section 2.15 hereof.

Section 2.15. Mandatory Prepayments. Subject to Section 3.03, if on any date the Aggregate Outstanding Extensions of Credit of all Lenders exceed the Available Commitment, Borrower shall prepay the Loans in an amount equal to the amount of such excess (a) immediately, to the extent of the funds then in the Subscription Account (and Borrower hereby irrevocably authorizes Administrative Agent to disburse such funds directly to Lenders), and (b) to the extent that the funds then in the Subscription Account are insufficient for the full amount of such prepayment, the remainder of such prepayment shall be made within five (5) days. If the Aggregate Outstanding Extensions of Credit consist solely of Letters of Credit issued hereunder (whether as a result of prepayments of Loans required hereunder or otherwise), and the Aggregate Outstanding Extensions of Credit continue to exceed the Available Commitment, Borrower shall immediately upon demand of Administrative Agent deposit with Administrative Agent cash collateral in an amount equal to the amount of such excess, which cash collateral shall be held by Administrative Agent, for the benefit of Lenders, in a non-interest-bearing account as security for Borrower's obligations in connection with the Letters of Credit and (y) to execute and deliver to Administrative Agent such documents as Administrative Agent requests to confirm and perfect the assignment of such cash collateral to Administrative Agent for the benefit of Lenders.

Section 2.16. Intentionally Omitted.

Section 2.17. Letters of Credit.

(a) Borrower, by Requisition to Administrative Agent, may request that BofA (BofA, in its capacity as Lender issuing a Letter of Credit, the "Issuing Bank") issue irrevocable standby letters of credit (each, a "Letter of Credit") for the account of Borrower solely for the purpose of supporting obligations in accordance with the Operating Agreement, payable by sight drafts, for such beneficiaries and with such other terms as Borrower shall specify in the applicable Requisition, provided, however, that Borrower shall not be entitled to have more than twelve (12) Letters of Credit, in the aggregate, issued and outstanding at any one time. Notwithstanding the foregoing, no Lender other than BofA is hereby obligated to issue Letters of Credit under any circumstances. Prior to issuing a Letter of Credit pursuant to any such request from Borrower, Issuing Bank shall confer with Administrative Agent to confirm that Borrower qualifies for the issuance thereof under the terms hereof. Following such confirmation, the requested Letter of Credit may be issued. Promptly upon issuance of a Letter of Credit, Issuing Bank shall notify Administrative Agent and each of the Lenders by telephone or by facsimile and shall send a copy of such Letter of Credit to Administrative Agent.

(b) The amount of each Letter of Credit shall be limited to the Total Commitment less the sum of all Loans which remain unpaid and the amount of all Letters of Credit then issued and outstanding, it being understood that the amount of each Letter of Credit issued and outstanding shall effect a reduction, by an equal amount, of the Total Commitment available to Borrower while such Letter of Credit is issued and outstanding (such reduction to be allocated to each Lender's Individual Commitment ratably in accordance with the Lenders' respective Pro Rata Shares). For purposes of Section 6.05, the aggregate undrawn face amount of all Letters of Credit shall be considered outstanding Loans and shall be included in the computation of the outstanding balance of the Loans.

(c) The issuance of each Letter of Credit shall be subject to Borrower's satisfaction of all conditions precedent set forth in Article IV.

(d) Each Letter of Credit shall expire no later than the earlier of (x) one (1) month prior to the Maturity Date and (y) eleven (11) months after the date of its issuance.

(e) In connection with, and as a further condition to the issuance of, each Letter of Credit, Borrower shall execute and deliver to Issuing Bank an application for such Letter of Credit on Issuing Bank's standard form therefor, together with such other documents, opinions and assurances as Issuing Bank shall reasonably require (it being understood, however, that in the event of a conflict between the terms and provisions of such other documents and this Agreement, the terms and provisions of this Agreement shall control).

(f) In connection with each Letter of Credit, Borrower hereby covenants to pay to Administrative Agent the following fees, payable quarterly in arrears (on the first Business Day of each calendar quarter following the issuance of such Letter of Credit): a fee (the "L/C Fee") for the account of Lenders, computed daily on the amount of such Letter of Credit issued and outstanding at a rate per annum equal to the Applicable Margin. It is understood and agreed that the last installment of the foregoing fees provided for in this paragraph (g) with respect to any particular Letter of Credit shall be due and payable on the first day of the calendar quarter following the return, undrawn, or cancellation, of such Letter of Credit. In addition, Borrower shall pay to Issuing Bank its customary administrative fees in connection with the issuance, extension, amendment and drawing of all Letters of Credit.

(g) Borrower is absolutely and unconditionally obligated to reimburse any drawing upon any Letter of Credit on the day of such drawing.

(h) The parties hereto acknowledge and agree that, immediately upon notice from an Issuing Bank or Administrative Agent of any drawing under a Letter of Credit, each Lender shall unless Issuing Bank is immediately reimbursed by Borrower for such drawing, notwithstanding the existence of a Default or Event of Default or the non-satisfaction of any conditions precedent set forth in Article IV, make a Loan (which shall initially bear interest at the Prime Based Rate) in an amount equal to its Pro Rata Share of such drawing, the proceeds of which Loan shall be remitted to Administrative Agent which shall thereupon promptly remit such proceeds to the Issuing Bank to reimburse the Issuing Bank for such drawing. Borrower hereby irrevocably authorizes Lenders to make such advances. Each Lender further acknowledges that its obligation to fund its share of drawings under Letters of Credit as aforesaid shall survive Lenders' termination of this Agreement or enforcement of remedies hereunder or under the other Credit Documents. In the event that any advance cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under any applicable bankruptcy or insolvency Law with respect to Borrower), then each Lender shall purchase (on or as of the date such advance would otherwise have been made) from Issuing Bank a participation interest in any unreimbursed drawing in an amount equal to its Pro Rata Share of such unreimbursed drawing.

(i) Borrower agrees, upon the occurrence of an Event of Default and at the request of Administrative Agent, (x) to deposit with Administrative Agent cash collateral in the amount of all the outstanding Letters of Credit, which cash collateral shall be held by Administrative Agent for the benefit of Lenders in a non-interest-bearing account as security for Borrower's obligations in connection with the Letters of Credit and (y) to execute and deliver to Administrative Agent such documents as Administrative Agent requests to confirm and perfect the assignment of such cash collateral to Administrative Agent.

(j) Borrower and Lenders acknowledge and agree that there are presently no outstanding Letters of Credit issued under the Original Agreement.

(k) Each drawing under any Letter of Credit shall constitute an advance of Loan proceeds to Borrower hereunder.

ARTICLE III

INTENTIONALLY OMITTED

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01. Conditions Precedent to Initial Advance. Lenders shall not be obligated to make the Initial Advance hereunder until the following conditions shall have been satisfied:

Advance; (a) There shall exist no Default or Event of Default, and no Default or Event of Default would result from the making of the Initial

(b) The representations and warranties made to Administrative Agent or Lenders herein, in the other Credit Documents and in any other document, certificate or statement executed or delivered to Administrative Agent or Lenders in connection with the Credit Facility shall be true and correct on and as of the date of the advance with the same effect as if made on such date;

(c) Lenders shall have received and approved each of the following:

(1) Fees and Expenses. (i) Those fees required by the Supplemental Fee Letter to be paid on or before the date hereof, to be retained by Administrative Agent and/or BofA for its own account or as otherwise agreed among Lenders whether or not any Loan is advanced or any Letters of Credit are issued; and (ii) all fees and expenses incurred by Administrative Agent (including, without limitation, the reasonable fees and expenses of Administrative Agent's Counsel);

(2) Credit Documents and the Supplemental Fee Letter. This Agreement, each of the other Credit Documents, including, without limitation, a reaffirmation of each Investor Acknowledgment executed in connection with the Original Agreement, and the Supplemental Fee Letter, duly executed by the parties thereto, and, where applicable, duly acknowledged and in proper form for recording or filing, as the case may be, and all necessary or desirable recordings and filings shall have been duly made;

(3) Financial Statements. Current Financial Statements and such other financial data as Administrative Agent shall require;

(4) Actions to Perfect Liens. Evidence that all filings, recordings, registrations and other actions, including, without limitation, the filing of duly executed financing statements on form UCC-1, necessary or, in the reasonable opinion of Administrative Agent, desirable to perfect the Liens created by the Security Documents shall have been completed;

(5) Insurance. Evidence that all of the requirements of Section 6.09 have been satisfied;

(6) Closing Certificate. A certificate of Borrower and of Managing Member, each dated the Closing Date, substantially in the form of Exhibit E, with appropriate insertions and attachments, executed by Borrower or Managing Member, as the case may be;

(7) Borrowing Base Certificate. A Borrowing Base Certificate, substantially in the form of Exhibit G, showing the Capital Commitments and Unpaid Capital Commitments of all Investors, and a calculation of the Available Commitment, as of the Closing Date, with appropriate insertions and dated the Closing Date, executed by Borrower;

(8) Corporate Proceedings of Borrower. A copy of the resolutions of the board of directors of Acadia Investors II and of Acadia Realty Trust, as sole member of the Managing Member, on behalf of Borrower authorizing (i) the execution, delivery and performance of this Agreement and the other Credit Documents, (ii) the borrowings and other extensions of credit contemplated hereunder and (iii) the granting by it of the Liens created pursuant to the Security Documents to which it is a party, certified by the Secretary or an Assistant Secretary of such corporations as of the Closing Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded;

(9) Borrower Incumbency Certificate. A certificate, dated the Closing Date, as to the incumbency and signature of the officers of the Acadia Realty Trust, Managing Member and Acadia Investors II executing any Credit Document, executed by the Secretary or any Assistant Secretary of such entities;

(10) Investor Documents. True and complete copies of the financial statements contemplated by the Investor Acknowledgment of each Investor;

(11) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement, the other Credit Documents, the Operating Agreement and the Stockholders Agreement and such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as Administrative Agent shall reasonably request;

(12) Investor Acknowledgments. Investor Acknowledgments from each Investor, duly executed and delivered by each Investor;

(13) Borrower Counsel Opinions. Opinions of counsel for Borrower, Managing Member and Acadia Investors II;

(14) Organizational Documents. If Borrower, Guarantor or any general partner or member of Borrower is a corporation, current copies of the following documents with respect to each (unless otherwise indicated):

(i) a good-standing certificate from the jurisdiction of its incorporation,

(ii) a resolution, certified by the corporate secretary, of the shareholders or directors of such corporation authorizing the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Credit Documents and any other documents to be executed, delivered or performed by said corporation (including any substitute or replacement Notes to be executed and delivered pursuant to the terms hereof), and

(iii) a certificate of the corporate secretary as to the incumbency of the officers executing any of the documents required hereby,

and, if Borrower, Guarantor or any partner or member of Borrower is a partnership, venture, limited liability company or trust:

(iv) such entity's organizational agreement and all amendments and attachments thereto, certified by a general partner, venturer, member or trustee to be true and complete,

(v) any certificates filed or required to be filed by such entity in the jurisdictions of its formation and any other jurisdiction where it does business, and

(vi) evidence of the authorization of the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Credit Documents and any other documents to be executed, delivered and performed by said entity (including any substitute or replacement notes to be executed and delivered pursuant to the terms hereof), and including any required consents by partners, venturers, members, trustees or beneficiaries;

(15) Chattel Searches. UCC, judgment and lien searches against Borrower to the effect that searches of proper public records disclose no financing statements filed or recorded against Borrower and no other breaches of this Agreement;

(16) Requisition. A Requisition for the Initial Advance; and

(17) Additional Documentation. Such other approvals, opinions or documents as Administrative Agent may reasonably request;

(d) Immediately after such extension of credit, the Aggregate Outstanding Extensions of Credit of all Lenders will not exceed the Available Commitment; and

(e) No condition or event shall have occurred which has a Material Adverse Effect.

Section 4.02. Conditions to Extensions of Credit After the Initial Advance. Each Lender's obligation to make any Loan after the Initial Advance and Issuing Bank's obligation to issue any Letter of Credit after the Initial Advance shall be subject to the satisfaction of the following conditions:

- (a) All conditions of Section 4.01 shall have been and remain satisfied as of the date of such Loan or issuance;
- (b) There shall exist no Default or Event of Default, and no Default or Event of Default would result from the making of such Loan or the issuance of such Letter of Credit;
- (c) The representations and warranties made to Administrative Agent and/or Lenders herein, in the other Credit Documents and in any other document, certificate or statement executed or delivered to Administrative Agent or Lenders in connection with the Credit Facility shall be true and correct on and as of the date of such Loan or issuance of such Letter of Credit with the same effect as if made on such date;
- (d) Administrative Agent shall have received a Requisition for such Loan or such issuance;
- (e) Immediately after such extension of credit, the Aggregate Outstanding Extensions of Credit of all Lenders will not exceed the Available Commitment;
- (f) No condition or event shall have occurred which has a Material Adverse Effect; and
- (g) Receipt by Administrative Agent of a Borrowing Base Certificate duly executed by Borrower as of such date.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Administrative Agent and Lenders that:

Section 5.01. Due Formation, Power and Authority. If Borrower, Guarantor or any general partner or member of Borrower is a corporation, partnership, venture, limited liability company or trust, each such entity is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation and has full power and authority to own or lease its property, to conduct its business as presently and as proposed to be conducted and to consummate the transactions contemplated hereby and to execute, deliver and perform this Agreement and any other Credit Document to which it is a party.

Section 5.02. Legally Enforceable Agreements. Each of the Supplemental Fee Letter and each Credit Document to which Borrower, Managing Member, Acadia Investors II or Guarantor is a party is a legal, valid and binding obligation of such party, enforceable against Borrower or Guarantor, as the case may be, in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar Laws affecting creditors' rights generally.

Section 5.03. Financial Statements. Financial Statements have been heretofore delivered to Lenders which are true, correct and current in all respects and which fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof; no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no borrowings or other extensions of credit (other than under the Credit Facility) which might give rise to a lien or claim against the proceeds of the Credit Facility have been made by or to Borrower or others since the dates thereof.

Section 5.04. Compliance With Laws; Payment of Taxes. Borrower and Guarantor are in compliance with, and the transactions contemplated hereby and by the other Credit Documents do not and will not violate any provision of, or require any filing, registration, consent or approval under, any Law presently in effect having applicability to Borrower or Guarantor; and Borrower has filed all tax returns (federal, state and local) required to be filed and has paid all taxes, assessments and governmental charges and levies due and payable, including interest and penalties.

Section 5.05. Litigation. There are no actions, suits or proceedings pending or threatened against or affecting Borrower, Guarantor, the validity or enforceability of any of the Security Documents or the priority of any of the liens created thereby at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Administrative Agent and Lenders in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of Borrower or Guarantor to pay when due any amounts which may become payable hereunder or under the Notes or the Guaranty or the other Credit Documents or to otherwise pay and perform their respective obligations in connection with the Credit Facility; to Borrower's knowledge, neither Borrower nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authority.

Section 5.06. No Conflicts or Defaults. The consummation of the transactions contemplated hereby and the performance hereof and of the other Credit Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Borrower or Guarantor is a party or by which Borrower may be bound or affected.

Section 5.07. Solvency. Borrower and Guarantor are, and upon consummation of the transactions contemplated by this Agreement, the other Credit Documents and any other related documents, will be, solvent.

Section 5.08. Governmental Regulation. Borrower is not subject to regulation under the Investment Company Act of 1940 or any Law limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 5.09. Insurance. Borrower has, with respect to its properties and business, insurance covering risks, in amounts, with deductibles or other retention amounts, and with carriers, which meet the requirements of Section 6.09 as of the date hereof.

Section 5.10. ERISA. Neither Borrower nor Guarantor nor any other Person, including any fiduciary, has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) which could subject Borrower or Guarantor or any Person whom they have an obligation to indemnify to any tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA; neither Borrower nor Guarantor nor any ERISA Affiliate maintains, contributes to or has any liability with respect to a Multiemployer Plan or any other plan subject to Title IV of ERISA; each Employee Benefit Plan is administered in accordance with its terms and in compliance with all applicable Laws, including any reporting requirements; each Pension Plan intending to qualify under Section 401(a) or 401(k) of the Code does so qualify; there is no lien outstanding or security interest given in connection with a Pension Plan; neither Borrower nor Guarantor nor any ERISA Affiliate has any liability with respect to an accumulated funding deficiency (whether or not waived) under Section 412 of the Code or Section 302 of ERISA; neither Borrower nor Guarantor has any liability for retiree medical or death benefits (contingent or otherwise) other than as required by Section 4980B of the Code; and no part of the funds to be used by Borrower or Guarantor in satisfaction of Borrower's obligations under this Agreement and the other Credit Documents constitute "plan assets" of any "employee benefit plan" within the meaning of ERISA or of any "plan" within the meaning of Section 4975(e)(1) of the Code, as interpreted by the Internal Revenue Service and the United States Department of Labor in rules, regulations, releases or bulletins or as interpreted under applicable case law. The DuPont Pension Trust and Gloster, LLC are the only investors in Acadia Strategic Opportunity Fund II, LLC, Acadia Realty Acquisition II, LLC and Acadia Investors II, Inc. that are either: (i) an employee benefit plan as defined in Section 3(3) of ERISA; or (ii) an entity holding Plan Assets (within the meaning of the plan assets regulation set forth in 29 C.F.R. § 2510.3-101) in which such an employee benefit plan holds an equity interest.

Section 5.11. No Default. There exists no Default or Event of Default.

Section 5.12. Liens. None of the Collateral is subject to any Lien except as created by the Security Documents.

Section 5.13. Federal Regulations. No part of the proceeds of any Loan made under, and no other extension of credit under, the Credit Facility will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect, or for any purpose which violates, or which would be inconsistent with, the provisions of the regulations of such Board of Governors. If requested by any Lender or Administrative Agent, Borrower will furnish to Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

Section 5.14. Subsidiaries. Exhibit H [**Acadia may need to update**] sets forth the name of each direct or indirect Subsidiary, its form of organization, its jurisdiction of organization, the total number of issued and outstanding shares or other interests of Capital Stock thereof, the classes and number of issued and outstanding shares or other interests of Capital Stock of each such class, the name of each holder of Capital Stock thereof and the number of shares or other interests of such Capital Stock held by each such holder and the percent tage of all outstanding shares or other interests of such class of Capital Stock held by such holders.

Section 5.15. Security Documents.

(a) The provisions of each Security Document are effective to create in favor of Administrative Agent for the ratable benefit of Lenders a legal, valid and enforceable security interest in all right, title and interest of the Credit Party party thereto in the "Collateral" described therein.

(b) Based upon the existing financing statements which have been filed in the offices in the jurisdictions listed in Exhibit F, the Capital Contributions Pledge Agreement and the Managing Member Security Agreement constitute a fully perfected first Lien on, and security interest in, all right, title and interest of Borrower, Managing Member and Acadia Investors II in the "Collateral" described therein, which can be perfected by such filing.

Section 5.16. Purpose of Credit. The proceeds of the Loans made under, and the other extensions of credit under, the Credit Facility shall be used by Borrower to make Investments, to pay expenses of Borrower in the ordinary course of business and for such other uses as are expressly permitted by the Operating Agreement (collectively, "Approved Uses"), all in accordance with, and subject to the limitations and restrictions contained in, the Operating Agreement.

Section 5.17. Environmental Matters. Borrower has not received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any Investment, or of any release or threat of release of Materials of Environmental Concern at or from any real property comprising or underlying any Investment, in violation of or in amounts or in a manner that could reasonably give rise to liability under Environmental Laws, nor does Borrower have knowledge or reason to believe that any such notice will be received or is being threatened, except in each case insofar as such notice or threatened notice, or any aggregation thereof, does not involve a matter or matters that is or are reasonably likely to have a Material Adverse Effect.

Section 5.18. Capital Commitments. Capital Commitments of Included Investors as of the date hereof aggregate \$209,534,706. As of the date hereof, Capital Calls have been made upon Included Investors, in the aggregate amount of \$160,026,742. The Capital Commitment of Managing Member is \$52,383,678, of which \$40,006,685 has been funded as of the date hereof. Exhibit B sets forth in detail, as of the date hereof, the Capital Commitments and Unpaid Capital Commitments of each Investor and of Managing Member. As of the date hereof, no Investor has defaulted in paying its Capital Calls.

Section 5.19. Accuracy of Information; Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Borrower or Guarantor to Administrative Agent or Lenders in connection with the negotiation of this Agreement or the other Credit Documents or the consummation of the transactions contemplated hereby, or required herein or by the other Credit Documents to be furnished by or on behalf of Borrower or Guarantor, contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading; there is no fact which Borrower has not disclosed to Administrative Agent and Lenders in writing which materially affects adversely nor, so far as Borrower can now foresee, will materially affect adversely the business affairs or financial condition of Borrower or Guarantor, or the ability of Borrower or Guarantor to perform this Agreement and the other Credit Documents.

Section 5.20. Requisition as Reaffirmation. Each Requisition submitted to Administrative Agent, and the receipt of the proceeds of the Loan(s) or the issuance of a Letter of Credit requested thereby, shall constitute an affirmation by Borrower that the representations and warranties contained herein and in the other Credit Documents remain true and correct as of the date of such Requisition.

ARTICLE VI

AFFIRMATIVE COVENANTS OF BORROWER

Borrower covenants and agrees that it will promptly:

Section 6.01. Compliance with Laws; Payment of Taxes. Comply with all Laws applicable to it, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed on it and promptly furnish Administrative Agent and Lenders with reports of any official searches made by Governmental Authorities and any claims of violations thereof.

Section 6.02. Continuing Accuracy of Representations and Warranties. Cause all of the representations and warranties made to Administrative Agent or Lenders herein and in the other Credit Documents to be continuously true and correct.

Section 6.03. Payment of Costs. Pay all costs and expenses required for and the satisfaction of the conditions hereof, including, without limitation, all document and stamp taxes, recording and filing expenses and fees and commissions lawfully due to brokers in connection with the transactions contemplated hereby.

Section 6.04. Brokers. Indemnify Administrative Agent and Lenders against claims of brokers arising by reason of the execution hereof or the consummation of the transactions contemplated hereby.

Section 6.05. Unused Fee. Pay to Administrative Agent, for the pro rata account of Lenders, a commitment fee computed on the daily unused Credit Amount (i.e., the Credit Amount less the sum of (x) the aggregate face amount of all issued and outstanding Letters of Credit plus (y) the aggregate Principal Amount) at a rate per annum equal to the Unused Fee Rate, calculated on the basis of a year of 360 days for the actual number of days elapsed. The accrued fee shall be due and payable in arrears on the first day of each January, April, July and October of each year, commencing on April 1, 2009, and upon the Maturity Date. The payment due on April 1, 2009 shall include the accrued and unpaid unused fee as of the date hereof under the Original Agreement.

Section 6.06. Reporting Requirements. Furnish to Administrative Agent (it being understood that Administrative Agent shall provide, promptly following receipt, to each Lender):

(1) Annual Financial Statements; Tax Returns. As soon as available and in any event within one hundred twenty (120) days after the end of the respective fiscal years of Borrower and Acadia Realty Trust, Financial Statements of Borrower and Guarantor, as of the end of and for such fiscal year, certified by the principal financial or accounting officer of Borrower or Acadia Realty Trust, as the case may be, in reasonable detail, stating in comparative form the respective figures for the preceding fiscal year and audited by a firm of certified public accountants reasonably satisfactory to Administrative Agent; and complete copies of Borrower's and Acadia Realty Limited Partnership's federal and state income tax returns, within thirty (30) days of filing, provided that, notwithstanding the foregoing, so long as Acadia Realty Trust timely files 10Q and 10K reports with the Securities and Exchange Commission, Acadia Realty Trust shall have complied with this Subsection and Subsection (2) below;

(2) Quarterly Financial Statements. As soon as available and in any event within sixty (60) days after the end of each calendar quarter, Financial Statements of Borrower and Acadia Realty Trust, as of the end of and for such calendar quarter, certified by the principal financial or accounting officer of Borrower or Acadia Realty Trust, as the case may be, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year;

(3) Certificate of No Default. At the time of the delivery of the Financial Statements required by paragraph (2) above, a certificate of the principal financial or accounting officer of Borrower or Acadia Realty Trust, as the case may be, dated within five (5) days of the delivery of such statements to Administrative Agent, stating that Borrower during the period covered by such Financial Statements has observed or performed all of its covenants and other agreements in all material respects, and satisfied every material condition, contained in this Agreement and the other Credit Documents to be observed, performed or satisfied by it, and that such officer knows of no Default or Event of Default which has occurred and is continuing, or, if any such Default or Event of Default has occurred and is continuing, specifying the nature and period of existence thereof and what action Borrower has taken or proposes to take with respect thereto;

(4) Notice of Litigation. Promptly after the commencement and knowledge thereof, notice of all actions, suits and proceedings before any court or arbitrator or any Governmental Authorities, affecting Borrower, Acadia Realty Limited Partnership, Managing Member, Acadia Investors II, Acadia Realty Trust or any of Borrower's Investments, provided, however, that such notice shall not be required with respect to personal injury claims which are fully covered by applicable insurance policies in place or with respect to suits claiming damages of \$50,000 or less;

(5) Notices of Defaults. As soon as possible and in any event within ten (10) days after Borrower becomes aware of the occurrence of a Default or Event of Default, a written notice setting forth the details of such Default or Event of Default and the action that has been taken or is proposed to be taken with respect thereto;

(6) Compliance/Borrowing Base Certificate. As soon as available and in any event within thirty (30) days after the end of each fiscal quarter of Borrower, a certificate of the principal financial or accounting officer of Borrower (the "Borrowing Base Certificate") in the form attached as Exhibit G setting forth (i) the Capital Commitments and Unpaid Capital Commitment of all of the Investors and a calculation of the Available Commitment (all as of the end of the relevant quarter), (ii) specifying changes, if any, in the names of Investors and (iii) listing Investors who have not delivered Inves tor Acknowledgments;

(7) Financial Statements to Investors. To the extent not otherwise provided hereunder, promptly upon the mailing thereof to the Investors generally, copies of all financial statements, reports and other information related to Borrower or any Investments so mailed;

(8) Events Affecting Available Commitment. Promptly upon the receipt thereof, copies of all financial statements, notices of changes or possible changes in any Investor's credit rating, and notices of default, notices relating in any way to an Investor's funding obligation or change in such Investor's financial condition and any notice containing any reference to misconduct of Managing Member or Borrower and promptly and in any event within five (5) Business Days after Borrower obtains actual knowledge of the occurrence of an Exclusion Event, a notice setting forth such Exclusion Event, Borrower's calculation of the Available Commitment after taking in to account such Exclusion Event, and Borrower's calculation of the amount which Borrower is required to repay pursuant to Section 2.15 as a result of such Exclusion Event;

(9) Environmental Matters. Promptly and in any event within ten (10) Business Days after Borrower obtains actual knowledge of any of the following events, a certificate of Borrower specifying the nature of such condition and Borrower's proposed initial response thereto: (i) the receipt by Borrower of any written communication, whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that Borrower is not in compliance with applicable Environmental Laws, and such noncompliance is likely to have a Material Adverse Effect, (ii) Borrower shall obtain actual knowledge that there exists any environmental claim pending or threatened against Borrower which, if adversely determined is reasonably likely to have a Material Adverse Effect, or (iii) Borrower obtains actual knowledge of any release, emission, discharge or disposal of any Hazardous Material that is likely to form the basis of any environmental claim against Borrower which, if adversely determined is reasonably likely to have a Material Adverse Effect;

(10) Capital Demand Notices. Copies of each Capital Demand Notice delivered to the Investors and any other notice, report or opinion of counsel sent to or received from any Investor relating to the funding of Capital Contributions or the making of Capital Calls within three (3) Business Days after the same is sent to or received from any Investor together with, upon the delivery of a Capital Demand Notice under the Operating Agreement, a Borrowing Base Certificate completed assuming each Investor complies with its obligation to fund its Unpaid Capital Commitment pursuant to such Capital Demand Notice;

(11) Investor's Annual Financial Statements. Within thirty (30) days of request by Administrative Agent, given not earlier than ninety (90) days after the end of any calendar year, financial statements of The Dupont Pension Trust and The William and Flora Hewlett Foundation, as of the end of and for the most recently ended calendar year, in form and substance prepared, certified and formatted in the same manner as the financial statements previously delivered by such Investors to Administrative Agent, certified by the principal financial or accounting officer of each such entity, in reasonable detail, stating in comparative form the respective figures as of the end of and for the preceding fiscal year and audited by the firm of certified public accountants which audited the statements heretofore given to Administrative Agent or another firm of certified public accountants reasonably satisfactory to Administrative Agent;

(12) Other Investor Information. (i) Promptly after receipt thereof, the financial information respecting each Investor required to be delivered by each Investor pursuant to the Investor Acknowledgment executed by such Investor, and (ii) from time to time upon the reasonable request of Administrative Agent, a certificate for any Investor setting forth the remaining amount of its Unpaid Capital Commitment; and

(13) General Information. Promptly, such other information respecting the condition or operations, financial or otherwise, of Borrower, Managing Member or Acadia Investors II as Administrative Agent may from time to time reasonably request.

Section 6.07. Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its obligations of whatever nature, except (other than with respect to the Credit Facility) where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of Borrower or its Subsidiaries, as the case may be.

Section 6.08. Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business; and comply with all of its contractual obligations and all Laws except to the extent that failure to comply therewith could not, in the aggregate, be reasonably expected to have a Material Adverse Effect.

Section 6.09. Maintenance of Property; Insurance. Keep all property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability insurance) as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to Lender, upon written request, full information as to the insurance carried.

Section 6.10. Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Laws shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of each Lender to visit the site of any Investment and Borrower's offices and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of Borrower and its Subsidiaries with officers and employees of Borrower and its Subsidiaries and with its independent certified public accountants.

Section 6.11. Environmental Laws. Comply with, and take commercially reasonable measures to ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and take commercially reasonable measures to ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so could not be reasonably expected to have a Material Adverse Effect.

Section 6.12. Further Assurances.

(a) Borrower shall deliver such security agreements, financing statements, assignments and other collateral documents (all of which shall be deemed part of the Security Documents), in form and substance reasonably satisfactory to Administrative Agent, as Administrative Agent acting on behalf of Lenders may reasonably request from time to time for the purpose of granting to, or maintaining or perfecting in favor of, Lenders, first and exclusive security interests in any of the Capital Calls, Capital Commitments and other Collateral, together with other reasonable assurances as to the enforceability and priority of Lenders' liens and assurances of due recording and documentation of copies of the Security Documents, as Administrative Agent may reasonably require to avoid impairment of the liens and security interests granted or purported to be granted pursuant to the Credit Documents.

(b) If Managing Member shall receive any request for transfer of the interest of any Investor and Managing Member shall be prepared to grant such request, it shall promptly notify Administrative Agent and shall send to Administrative Agent all information about such proposed transfer as Managing Member shall receive or otherwise become aware of. In the event that the Investor proposing to transfer its interest (the "Transferor") is an Included Investor, then, prior to the effectiveness of any such transfer, Managing Member shall request in writing the consent of Administrative Agent and the Required Lenders to include the proposed transferee as an Included Investor, which consent shall be granted if such proposed transferee would satisfy all of the applicable qualifications set forth in the definition of "Included Investor". If Administrative Agent and the Required Lenders do not consent to the substitution of the proposed transferee as an Included Investor, Managing Member shall, prior to the effectiveness of any such transfer or substitution, make a Capital Call to all existing Investors, including the Transferor, in the amount, if any, necessary to prevent the aggregate amount of Aggregate Outstanding Extensions of Credit of all Lenders from exceeding the Available Commitment, with such Available Commitment calculated assuming that the Transferor is not an Included Investor. The effectiveness of any transfer by any Investor shall be contingent upon the receipt by Administrative Agent of (i) an Investor Acknowledgment, duly executed and delivered by the transferee and (ii) evidence reasonably satisfactory to Administrative Agent of the transferee's authority to enter into the Investor Acknowledgment and become either a member in Borrower or a shareholder in Acadia Investors II.

Section 6.13. Subscription Account. Borrower shall establish and maintain with Administrative Agent the Subscription Account into which all Capital Contributions contributed by the Investors shall be deposited and maintained until application of same in accordance with Section 11.01.

Section 6.14. Investor Reaffirmations and Guaranties. Borrower shall cause each Investor to execute and deliver to Administrative Agent a reaffirmation of such Investor's Investor Acknowledgment dated as of a date not earlier than February 22, 2010 in the form attached hereto as Exhibit K ("Investor Reaffirmations") on or before April 1, 2010. Borrower shall cause each of Yale University, Fourth Century, LLC, Yale University Retirement Plan for Staff Employees and Yale University Retiree Health Benefits Coverage Trust to execute and deliver to Administrative Agent reaffirmations of the guaranty and comfort letter from such entities regarding their credit support of Gloster LLC dated as of a date not earlier than February 22, 2010 in the form attached hereto as Exhibit L (the "Gloster Principal Reaffirmations") on or before April 1, 2010. Borrower shall cause Dore LP to execute and deliver to Administrative Agent the Dore Assumption Agreement on or before April 1, 2010. Borrower shall cause Vanderbilt to execute and deliver to Administrative Agent the Vanderbilt Guaranty on or before April 1, 2010.

ARTICLE VII

NEGATIVE COVENANTS

Borrower, Managing Member and Acadia Investors II hereby jointly and severally agree that, so long as any of the Individual Commitments remains in effect or any Principal Amount or Letter of Credit remains outstanding and unpaid or any amount is owing to any Lender or Administrative Agent hereunder, under the Notes or under any other Credit Document, Borrower, Managing Member and Acadia Investors II shall not, and shall not permit any of their Subsidiaries to:

Section 7.01. Limitation on Indebtedness and Guarantee Obligations. Create, incur, assume or suffer to exist any Indebtedness of Borrower and its Subsidiaries or any Guarantee Obligations of Borrower and its Subsidiaries, if (i) same would result in the aggregate amount of Indebtedness and Guaranteed Obligations of Borrower and its Subsidiaries exceeding seventy-five percent (75%) of the aggregate cost basis of all Investments which Borrower continues to own or (ii) the agreements evidencing any Indebtedness of Borrower do not contain an express acknowledgment of the obligee that any rights thereunder against Borrower are expressly subordinate to the Security Documents.

Section 7.02. Material Adverse Effect. Permit any event or condition to occur which has a Material Adverse Effect.

Section 7.03. Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of (i) the right to make Capital Calls, (ii) the Capital Commitments or (iii) any other Collateral, except for Liens created pursuant to the Security Documents.

Section 7.04. Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer, or otherwise dispose of, all or substantially all of its property, business or assets, or make any material change in its present method of conducting business, except:

- (a) any Subsidiary may be merged or consolidated with or into Borrower (provided that Borrower shall be the continuing or surviving entity) or with or into any one or more wholly owned Subsidiaries (provided that the wholly owned Subsidiary or Subsidiaries shall be the continuing or surviving entity);

(b) any Subsidiary may sell and dispose of Investments in the ordinary course of business; and

(c) any wholly owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Borrower or any other wholly owned Subsidiary.

Section 7.05. Limitation on Dividends and Distributions. Declare or pay any dividend or distribution on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of Capital Stock of Borrower or Acadia Investors II or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or make any other distribution in respect thereof (including distributions to Investors), either directly or indirectly, whether in cash or property or in obligations of Borrower or any Subsidiary (such as declarations, payments, setting apart, purchases, redemptions, defeasances, retirements, acquisitions and distributions being herein called "Restricted Payments"), except that, so long as no Default or Event of Default has occurred and is continuing or would result therefrom, Borrower may make Restricted Payments as permitted under the Operating Agreement.

Section 7.06. Intentionally Omitted.

Section 7.07. Limitation on Modifications of Agreements. Amend, supplement, waive or otherwise modify in any material respect the provisions of the Operating Agreement, the Stockholders Agreement, or any Governing Documents of Managing Member or Acadia Investors II, the Investor Acknowledgments or the Collateral relating to the Capital Commitments, the making of Capital Contributions or the obligation of any Investor to fund the same pursuant to Capital Calls or the incurrence of Indebtedness or any other provisions that would adversely affect the rights of Lenders.

Section 7.08. Intentionally Omitted.

Section 7.09. Limitation on Changes in Fiscal Year. Permit the fiscal year of Borrower to end on a day other than December 31.

Section 7.10. Intentionally Omitted.

Section 7.11. Capital Calls. Make any Capital Call unless, simultaneously with the delivery of a notice of such Capital Call to the Investors:

(i) Borrower has provided Administrative Agent with a copy of the written notice of such Capital Call;

(ii) except in the case of a Capital Call in accordance with Section 11.01(f), no Event of Default shall have occurred and be continuing;

and

(iii) the proceeds of such Capital Call are deposited into the Subscription Account.

Section 7.12. No Additional Managing Members. Admit or name any additional managing members to Borrower.

Section 7.13. Transfer of Managing Member's Interests. With respect to Managing Member, withdraw as managing member from, or transfer any of Managing Member's interests in, Borrower (whether by way of sale, assignments, merger, consolidation, liquidation or otherwise) without the consent of Administrative Agent and the Required Lenders; provided, that any transferee consented to under this Section 7.13 shall assume all of the obligations of Managing Member under the Credit Documents pursuant to an instrument in form and substance satisfactory to Administrative Agent. Upon any transfer consented to by this Section 7.13 and such assumption of obligations, Managing Member and Borrower shall cause such transferee promptly to be admitted as managing member of Borrower and, upon such admission in accordance with the Operating Agreement, such transferee shall be deemed to be Managing Member for all purposes of the Credit Documents.

Section 7.14. Withdrawal Events. Managing Member shall not permit any Investor to withdraw from Borrower or Acadia Investors II without the prior written consent of Administrative Agent and Required Lenders.

Section 7.15. Compliance with the Operating Agreement. Make any Investment or take or permit any action in contravention of the terms of the Operating Agreement or the Stockholders Agreement.

Section 7.16. ERISA.

(a) Take any action, or omit to take any action, which would give rise to a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that is reasonably likely to subject Administrative Agent and/or any Lender to any material tax or penalty on prohibited transactions imposed under Section 4975 of the Code or Section 502(i) of ERISA; or

(b) Raise any defense to Administrative Agent's or Lenders' enforcement of its or their rights or remedies under the Investor Acknowledgments (or under the Credit Documents relating to the Investor Acknowledgments) based on an assertion that the provisions of the Investor Acknowledgments or the enforcement by Administrative Agent or Lenders of its or their rights under the Investor Acknowledgments (or under the Credit Documents relating to the Investor Acknowledgments), would constitute a "prohibited transaction" under Section 306(a) of ERISA or Section 4975(c)(1)(A)-(D) of the Code.

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events (each, an "Event of Default") shall occur and be continuing:

(a) Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any Letter of Credit when due in accordance with the terms hereof or of the Notes or any other Credit Document; or Borrower shall fail to pay any interest on any Loan or any reimbursement obligation in respect of any Letter of Credit, or any other amount payable hereunder or under the other Credit Documents, within five (5) days after any such interest or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by Borrower or any other Credit Party or Guarantor herein or in any other Credit Document or which is contained in any certificate, document or financial or other written statement furnished by it at any time under or in connection with this Agreement or any such other Credit Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) Borrower or any other Credit Party or Guarantor shall default in the observance or performance of any agreement contained in Article VII of this Agreement, Section 4(a) of the Capital Contributions Pledge Agreement or Section 4(a) of the Managing Member Security Agreement; or

(d) Borrower or any other Credit Party or Guarantor shall default in the observance or performance of any agreement contained in this Agreement or any other Credit Document which is not defined as an Event of Default elsewhere in this Article VIII, and such default shall continue unremedied for a period of thirty (30) days provided that such thirty (30) day period shall be extended (for a period not to exceed sixty (60) days in addition to such thirty (30) day period) as to defaults which cannot be cured by the payment of money but are not reasonably capable of cure within such thirty (30) day period, provided that Borrower has commenced to cure such default prior to the end of such thirty (30) day period and diligently prosecutes such cure to completion; or

(e) (i) Any Credit Party or Guarantor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Credit Party or Guarantor shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Credit Party or Guarantor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against any Credit Party or Guarantor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) any Credit Party or Guarantor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Credit Party or Guarantor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(f) Acadia Investors II shall default in its obligations under the Stockholders Agreement, and such default shall continue unremedied for a period of thirty (30) days provided that such thirty (30) day period shall be extended (for a period not to exceed sixty (60) days in addition to such thirty (30) day period) as to defaults which cannot be cured by the payment of money but are not reasonably capable of cure within such thirty (30) day period, provided that Acadia Investors II has commenced to cure such default prior to the end of such thirty (30) day period and diligently prosecutes such cure to completion; or

(g) Investors having Capital Commitments aggregating five percent (5%) or greater of the total Capital Commitments of Investors who have previously delivered Investor Acknowledgments to Administrative Agent shall default in their obligation to fund any portion of their Capital Commitments under the Stockholders Agreement or the Operating Agreement and such default continues for fifteen (15) days, provided that one or more other Investors may cure such default by (x) funding the amount of the defaulted Capital Commitment and (y) agreeing in writing to fund the future Capital Commitment of the defaulting Investor; or

(h) One or more judgments or decrees shall be entered against Borrower, any other Credit Party, Guarantor or any of their respective Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance) of \$1,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(i) (i) Any of the Security Documents shall cease, for any reason, to be in full force and effect, or Borrower or any other Credit Party which is a party to any of the Security Documents shall so assert or (ii) the Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) Any Termination Event with respect to a Material Plan shall occur as a result of which Termination Event or Events any member of the ERISA Group has incurred or may incur any liability to the PBGC or any other Person and the sum (determined as of the date of occurrence of such Termination Event) of the Unfunded Liabilities of such Material Plan and the Unfunded Liabilities of any and all other Plans with respect to which such a Termination Event shall occur and be continuing (or, in the case of a Multiemployer Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall occur and be continuing, the liability of Borrower and the Subsidiaries related thereto) is an amount that is reasonably likely to have a Material Adverse Effect; or

(k) Any member of the ERISA Group shall commit a failure described in Section 302(f)(1) of ERISA or Section 412(n)(1) of the Code and the amount of the lien determined under Section 302(f)(3) of ERISA or Section 412(n)(3) of the Code that could reasonably be expected to be imposed on any member of the ERISA Group or its assets in respect of such failure shall be an amount that is reasonably likely to have a Material Adverse Effect; or

(l) The occurrence of any of the following: (i) Managing Member ceases, voluntarily or involuntarily, to be the sole managing member of Borrower, (ii) any event that causes a dissolution or liquidation of Borrower or Managing Member or (iii) any material breach of the Operating Agreement by Managing Member which shall continue for thirty (30) days; or

(m) Borrower fails to deliver any of the Investor Reaffirmations, Gloster Principal Reaffirmations, the Vanderbilt Guaranty and the Dore Assumption Agreement to Administrative Agent on or before April 1, 2010.

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (e) of this Section with respect to Borrower, automatically the Individual Commitments shall immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Credit Documents shall immediately become due and payable, in each case without presentment, demand, protest, notice of protest or other notice of any kind whatsoever, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) Administrative Agent may, and upon the request of the Required Lenders Administrative Agent shall, by notice to Borrower declare the Individual Commitments to be terminated forthwith, whereupon the Individual Commitments shall immediately terminate; and (ii) Administrative Agent may, and upon the request of the Required Lenders Administrative Agent shall, by notice to Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Credit Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable, in each case without presentment, demand, protest, notice of protest or other notice of any kind whatsoever other than any notice specifically provided for above.

ADMINISTRATIVE AGENT; RELATIONS AMONG LENDERS

Section 9.01. Appointment, Powers and Immunities of Administrative Agent. Each Lender hereby irrevocably appoints and authorizes Administrative Agent to act as its agent hereunder and under any other Credit Document with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and any other Credit Document, together with such other powers as are reasonably incidental thereto. Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and any other Credit Document or required by Law, and shall not by reason of this Agreement be a fiduciary or trustee for any Lender except to the extent that Administrative Agent acts as an agent with respect to the receipt or payment of funds, nor shall Administrative Agent have any fiduciary duty to Borrower or any Lender have any fiduciary duty to Borrower or any other Lender. No implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against Administrative Agent. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or affiliates shall be responsible to Lenders for any recitals, statements, representations or warranties made by Borrower or any officer, partner or official of Borrower or any other Person contained in this Agreement or any other Credit Document, or in any certificate or other document or instrument referred to or provided for in, or received by any of them under, this Agreement or any other Credit Document, or for the value, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document or any other document or instrument referred to or provided for herein or therein, for the perfection or priority of any lien securing the obligations hereunder or thereunder or for any failure by Borrower or Guarantor to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Neither Administrative Agent nor any of its directors, officers, employees, agents, attorneys-in-fact or affiliates shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under any other Credit Document or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

Section 9.02. Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent. Administrative Agent may deem and treat each Lender as the holder of its Note and interest in the Credit Facility for all purposes hereof and shall not be required to deal with any Person who has acquired a Participation in the Credit Facility from a Lender. As to any matters not expressly provided for by this Agreement or any other Credit Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with instructions signed by the Required Lenders, and such instructions of the Required Lenders and any action taken or failure to act pursuant thereto shall be binding on all Lenders and any other holder of all or any portion of the Credit Facility or any Participation therein.

Section 9.03. Defaults. Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default or of an Event of Default unless Administrative Agent has actual knowledge thereof or has received notice from a Lender or Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Administrative Agent has such actual knowledge or receives such a notice of the occurrence of a Default or Event of Default, Administrative Agent shall give prompt notice thereof to Lenders. Administrative Agent shall promptly send to each Lender a copy of any notice of a Default or Event of Default that Administrative Agent sends to Borrower or Guarantor. Administrative Agent, following consultation with Lenders, shall (subject to Section 9.07 and Section 10.09) take such action with respect to such Default or Event of Default which is continuing, including with respect to the exercise of remedies or the realization on, or operation or disposition of, any or all of the Collateral or any other collateral for the Obligations, as shall be directed by the Required Lenders; provided, however, that, unless and until Administrative Agent shall have received such directions, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem to be in the best interest of Lenders. In no event shall Administrative Agent be required to take any such action which it determines would be contrary to the Credit Documents or to Law. Each of the Lenders acknowledges and agrees that no individual Lender may separately enforce or exercise any of the provisions of any of the Credit Documents (including, without limitation, the Notes) other than through Administrative Agent.

Section 9.04. Rights of Administrative Agent as Lender. With respect to its Note and interest in the Credit Facility, the Person serving as Administrative Agent in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Administrative Agent, and the terms "Lender" and "Lenders" shall include the Person serving as Administrative Agent in its capacity as a Lender. The Person serving as Administrative Agent and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to (on a secured or unsecured basis), and generally engage in any kind of banking, trust or other business with, Borrower as if it were not acting as Administrative Agent.

Section 9.05. Sharing of Costs by Lenders; Indemnification of Administrative Agent. Each Lender shall pay its ratable share, based on the respective outstanding principal balances under its Note and the other Notes, of any expenses incurred (and not paid or reimbursed by Borrower after demand for payment is made by Administrative Agent) by or on behalf of Lenders in connection with any Default or Event of Default, including, without limitation, costs of enforcement of the Credit Documents to preserve the lien of any of the Security Documents or to preserve or protect the Collateral. In the event a Lender fails to pay its share of expenses as aforesaid, and all or a portion of such unpaid amount is paid by Administrative Agent and/or one or more of the other Lenders, then the defaulting Lender shall reimburse Administrative Agent and/or the other Lender(s) for the portion of such unpaid amount paid by it or them, as the case may be, together with interest thereon at the Prime Based Rate from the date of payment by Administrative Agent and/or the other Lender(s). In addition, each Lender agrees to reimburse and indemnify Administrative Agent (to the extent it is not paid by or on behalf of Borrower, after demand for payment is made by Administrative Agent, under Section 10.16 or under the applicable provisions of any other Credit Document, but without limiting the obligation of Borrower under said Section 10.16 or such provisions), for such Lender's ratable share, based upon the respective outstanding principal balances under its Note and the other Notes, of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Administrative Agent in any way relating to or arising out of this Agreement, any other Credit Document or any other documents contemplated by or referred to herein or the transactions contemplated hereby or thereby (including, without limitation, the costs and expenses which Borrower is obligated to pay under Section 10.16 or under the applicable provisions of any other Credit Document) or the enforcement of any of the terms hereof or thereof or of any such other documents or instruments; provided, however, that no Lender shall be liable for (i) any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified or (ii) any loss of principal or interest with respect to the Note or interest in the Credit Facility of the Person serving as Administrative Agent.

Section 9.06. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance on Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own analysis of the Collateral and of the credit of Borrower and Guarantor, and its own decision to enter into this Agreement, and that it will, independently and without reliance upon Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any other Credit Document. Administrative Agent shall not be required to keep itself informed as to the performance or observance by Borrower of this Agreement or any other Credit Document or any other document referred to or provided for herein or therein or to inspect the properties or books of Borrower. Except for notices, reports and other documents and information expressly required to be furnished to Lenders by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of Borrower or Guarantor or any of their affiliates which may come into the possession of Administrative Agent or any of its affiliates. Except for causing the UCC-1 financing statements attached hereto as Exhibit J to be filed in the filing offices indicated therein, Administrative Agent shall not be required to file this Agreement, any other Credit Document or any document or instrument referred to herein or therein, for record or give notice of this Agreement, any other Credit Document or any document or instrument referred to herein or therein, to anyone.

Section 9.07. Failure of Administrative Agent to Act. Except for action expressly required of Administrative Agent hereunder, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) of the indemnification obligations of Lenders under Section 9.05 in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. If any indemnity furnished to Administrative Agent for any purpose shall, in the opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional indemnity (other than against its gross negligence or willful misconduct) and cease, or not commence, the action indemnified against until such additional indemnity is furnished.

Section 9.08. Resignation or Removal of Administrative Agent. Administrative Agent may resign, or be removed with cause by the Required Lenders, at any time provided that Borrower and the other Lenders shall be promptly notified thereof. Upon such resignation or removal of Administrative Agent, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor Administrative Agent shall (provided there exists no Event of Default) be subject to Borrower's approval, such approval not to be unreasonably withheld or delayed. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within twenty (20) days after the resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be one of the Lenders, within ten (10) days. The Required Lenders or the retiring Administrative Agent, as the case may be, shall upon the appointment of a successor Administrative Agent promptly so notify Borrower and the other Lenders. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article IX shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Section 9.09. Amendments Concerning Agency Function. Notwithstanding anything to the contrary contained in this Agreement, Administrative Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or any other Credit Document which affects its duties, rights, and/or function hereunder or thereunder unless it shall have given its prior written consent thereto.

Section 9.10. Liability of Administrative Agent. Administrative Agent shall not have any liabilities or responsibilities to Borrower on account of the failure of any Lender to perform its obligations hereunder or to any Lender on account of the failure of Borrower to perform its obligations hereunder or under any other Credit Document.

Section 9.11. Transfer of Agency Function. Without the consent of Borrower or any Lender, Administrative Agent may at any time or from time to time transfer its functions as Administrative Agent hereunder to any of its offices wherever located in the United States, provided that Administrative Agent shall promptly notify Borrower and Lenders thereof.

Section 9.12. Non-Receipt of Funds by Administrative Agent; Adjustments.

(a) Unless Administrative Agent shall have received notice from a Lender or Borrower (either one as appropriate being the "Payor") prior to the date on which such Lender is to make payment hereunder to Administrative Agent of proceeds of any Loan or Borrower is to make payment to Administrative Agent, as the case may be (either such payment being a "Required Payment"), which notice shall be effective upon receipt, that the Payor will not make the Required Payment in full to Administrative Agent, Administrative Agent may assume that the Required Payment has been made in full to Administrative Agent on such date, and Administrative Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make the amount thereof available to the intended recipient on such date. If and to the extent the Payor shall not have in fact so made the Required Payment in full to Administrative Agent, the recipient of such payment shall repay to Administrative Agent forthwith on demand such amount made available to it together with interest thereon, for each day from the date such amount was so made available by Administrative Agent until the date Administrative Agent recovers such amount, at the Federal Funds Rate.

(b) If, after Administrative Agent has paid each Lender's share of any payment received or applied by Administrative Agent in respect of the Credit Facility, that payment is rescinded or must otherwise be returned or paid over by Administrative Agent, whether pursuant to any bankruptcy or insolvency Law, or otherwise, such Lender shall, at Administrative Agent's request, promptly return its share of such payment to Administrative Agent, together with such Lender's proportionate share of any interest or other amount required to be paid by Administrative Agent with respect to such payment. In addition, if a court of competent jurisdiction shall adjudge that any amount received and distributed by Administrative Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to Administrative Agent its share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

Section 9.13. Withholding Taxes. Each Lender represents that it is entitled to receive any payments to be made to it hereunder without the withholding of any tax and will furnish to Administrative Agent such forms, certifications, statements and other documents as Administrative Agent may reasonably request from time to time to evidence such Lender's exemption from the withholding of any tax imposed by any jurisdiction or to enable Administrative Agent to comply with any applicable Laws relating thereto. Without limiting the effect of the foregoing, if any Lender is not created or organized under the Laws of the United States or any state thereof, such Lender will furnish to Administrative Agent Form W-8ECI or Form W-8BEN of the U.S. Internal Revenue Service, or such other forms, certifications, statements or documents, duly executed and completed by such Lender, as evidence of such Lender's complete exemption from the withholding of United States tax with respect thereto. Administrative Agent shall not be obligated to make any payments hereunder to such Lender in respect of the Credit Facility until such Lender shall have furnished to Administrative Agent the requested form, certification, statement or document.

Section 9.14. Sharing of Payments among Lenders. If a Lender shall obtain payment of any principal of its Note or of interest thereon through the exercise of any right of setoff, banker's lien or counterclaim, or by any other means (including direct payment), and such payment results in such Lender receiving a greater payment than it would have been entitled to had such payment been paid directly to Administrative Agent for disbursement to Lenders, then such Lender shall promptly purchase for cash from the other Lenders Participations in the Credit Facility in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share ratably the benefit of such payment. To such end Lenders shall make appropriate adjustments among themselves (by the resale of Participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

Section 9.15. Possession of Documents. Each Lender shall maintain possession of its own Note. Administrative Agent shall hold all other Credit Documents and related documents in its possession and maintain separate records and accounts with respect to the Credit Facility, reflecting the interests of Lenders in the Credit Facility, and shall permit Lenders and their representatives access at all reasonable times to inspect such Credit Documents, related documents, records and accounts.

ARTICLE X

GENERAL CONDITIONS AND PROVISIONS

Section 10.01. Advance Not Waiver. Any Loan by any Lender or issuance of a Letter of Credit by Issuing Bank hereunder made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Lenders, shall not constitute a waiver by Administrative Agent or Lenders of the requirement that all conditions, including the non-performed conditions, shall be required with respect to all future Loans and issuances of Letters of Credit.

Section 10.02. Authorization to Advance for Interest, Etc. Borrower hereby irrevocably authorizes Administrative Agent and Lenders to make Loans to pay interest accrued on the Notes as it comes due, or to satisfy any of the conditions hereof, including, without limitation, the payment of the fees and expenses of Administrative Agent's Counsel.

Section 10.03. Concerning Irrevocable Authorizations. Any and all Loans made at any time by any Lender pursuant to the irrevocable authorizations granted by Sections 2.17 and 10.02 shall require no further direction, authorization or request for disbursement from Borrower and may be made whether or not there exists a Default or Event of Default. Any and all such disbursements shall be added to the outstanding principal balance evidenced by the Notes and shall be secured by the Security Documents. The aforesaid authorizations shall (i) not prevent Borrower from paying the interest, or from satisfying the conditions and obligations referred to in said Sections, out of its own funds, (ii) in no event be construed so as to relieve Borrower or others from their obligations to pay interest as and when due under the Notes, or to satisfy such conditions and obligations and (iii) in no event obligate any Lender to disburse proceeds of the Loans or obligate Issuing Bank to issue any Letter of Credit for any such purposes.

Section 10.04. Ratification of Requisition by Acceptance of Advance. Borrower agrees that, by its acceptance of any proceeds of any Loan or Letter of Credit issued hereunder, it shall be bound in all respects by the Requisition submitted on its behalf in connection therewith with the same force and effect as if Borrower had itself executed and submitted such Requisition and whether or not such Requisition is executed and/or submitted by an authorized person.

Section 10.05. No Third-Party Beneficiaries. This Agreement is solely for the benefit of Administrative Agent, Lenders and Borrower. All conditions of the obligations of Lenders to make credit available hereunder are imposed solely and exclusively for the benefit of Lenders and may be freely waived or modified in whole or in part by Lenders at any time if in their sole discretion they deem it advisable to do so, and no person other than Borrower (provided, however, that all conditions have been satisfied) shall have standing to require Lenders to make any credit available or to be a beneficiary of this Agreement.

Section 10.06. Documentation Etc. Satisfactory. All documentation and proceedings deemed by Administrative Agent or Administrative Agent's Counsel to be necessary or required in connection herewith and the documents relating hereto shall be subject to the prior approval of, and satisfactory to, both of them as to form and substance. In addition, the Persons responsible for the execution and delivery of, and signatories to, all of such documentation, shall be acceptable to, and subject to the approval of, Administrative Agent and Administrative Agent's Counsel. Administrative Agent or Administrative Agent's Counsel shall receive copies, certified if requested by either of them, of all documents which they may require in connection with the transactions contemplated hereby.

Section 10.07. Administrative Agent's and Lenders' Determination Conclusive. Administrative Agent and each Lender shall, at all times, be free to independently establish to its satisfaction and in its absolute discretion the existence or nonexistence of any fact or facts the existence or nonexistence of which is a condition hereof.

Section 10.08. Notices. Except as expressly provided otherwise, all notices, demands, consents, approvals and statements required or permitted hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when presented personally, three (3) days after mailing by registered or certified mail, postage prepaid, or one (1) day after delivery to a nationally recognized overnight courier service providing evidence of the date of delivery, addressed to a party at its address on the signature page hereof or of the applicable Assignment and Assumption Agreement, or at such other address of which a party shall have notified the party giving such notice in writing in accordance with the foregoing requirements.

Section 10.09. Amendments and Waivers. No amendment or material waiver of any provision of this Agreement or any other Credit Document, nor consent to any material departure by Borrower or Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the party against whom such amendment, waiver or consent is sought to be enforced (it being understood, however, that the signatures of the Required Lenders and, solely for purposes of its acknowledgement thereof, Administrative Agent, shall be sufficient to bind Lenders to any such amendment, waiver or consent), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all Lenders, do any of the following: (i) reduce the principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any other Credit Document; (ii) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees due hereunder or any other amount due hereunder or under any other Credit Document; (iii) change the definition of Required Lenders; (iv) release any material portion of the Collateral or other collateral for the Obligations other than in accordance with the Credit Documents; (v) amend this Section, Section 2.17(d)(x) or any provision requiring the consent of all Lenders; (vi) release, in whole or in part, Guarantor other than in accordance with the Credit Documents; or (vii) increase the Credit Amount. Without limiting the foregoing, acceptance by Administrative Agent or Lenders of any sum required to be paid pursuant hereto or pursuant to any other Credit Document, after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Administrative Agent or Lenders of their right to require prompt payment when due of all other such sums or to declare a default or to exercise such other rights provided herein or in the other Credit Documents for such late or reduced payment.

All communications from Administrative Agent to Lenders requesting Lenders' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Lender, (ii) shall be accompanied by or include a description or copy of the matter or thing as to which such determination, approval, consent or disapproval is requested and (iii) shall include Administrative Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within ten (10) Business Days (or five (5) Business Days with respect to any decision to accelerate or stop acceleration of any of the Obligations) after receipt of the request therefor by Administrative Agent (the "Lender Reply Period"). Unless a Lender shall give written notice to Administrative Agent that it objects to the recommendation or determination of Administrative Agent (together with a written explanation of the reasons behind such objection) within the Lender Reply Period, such Lender shall be deemed to have approved or consented to such recommendation or determination.

Section 10.10. Assignment; Participation. Any Lender may at any time grant to one or more banks or other institutions not affiliated with Borrower or Guarantor (each a "Participant") participating interests in its Pro Rata Share of the Credit Facility (the "Participations"). In the event of any such grant by a Lender of a Participation to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and Borrower, each other Lender and Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder. Any agreement pursuant to which any Lender may grant a Participation shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of Borrower hereunder and under any other Credit Document, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any other Credit Document; provided that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver described in clauses (i) through (vii) of Section 10.09 without the consent of the Participant.

Upon request by Borrower, each Lender agrees to provide Borrower with notice of all Participations sold by such Lender. Borrower agrees to provide all assistance reasonably requested by a Lender to enable such Lender to sell Participations as aforesaid, or make assignments of its interest in the Credit Facility as hereinafter provided in this Section.

A Lender may at any time assign to any bank or other institution not affiliated with Borrower or Guarantor with the consent of Administrative Agent, which consents shall not be unreasonably withheld or delayed (such assignee, a "Consented Assignee"), or to one or more banks or other institutions which are majority owned subsidiaries of a Lender or of the parent of a Lender (each Consented Assignee or subsidiary bank or institution, an "Assignee") all or a proportionate part of all of its rights and obligations under this Agreement and its Note and the other Credit Documents, and such Assignee shall assume rights and obligations, pursuant to an Assignment and Assumption Agreement executed by such Assignee and the assigning Lender, provided that, after giving effect to such assignment, the Assignee's portion of the Credit Facility and, in the case of a partial assignment of a Lender's interest, the assigning Lender's portion of the Credit Facility will each be equal to or greater than \$5,000,000. Upon (i) execution and delivery of such instrument, (ii) payment by such Assignee to the assigning Lender of an amount equal to the purchase price agreed between such Lender and such Assignee and (iii) payment by such Assignee to Administrative Agent of a fee, for Administrative Agent's own account, in the amount of \$3,500, such Assignee shall be a party to this Agreement and shall have all the rights and obligations of a Lender as set forth in such Assignment and Assumption Agreement, and the assigning Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this paragraph, substitute notes, in the form of Exhibit D, shall be issued to the assigning Lender (in the case of a partial assignment) and Assignee by Borrower, in exchange for the return of the assigning Lender's original Note. Without limiting the provisions of Section 2.04, all such substitute notes shall constitute "Notes" and the obligations evidenced by such substitute notes shall constitute obligations secured by the Security Documents. In connection with Borrower's execution of substitute notes as aforesaid, Borrower shall deliver to Administrative Agent such evidence of the due authorization, execution and delivery of the substitute notes and any related documents as Administrative Agent may reasonably request. If the Assignee is not incorporated under the Laws of the United States or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to Borrower and Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 9.13.

Borrower, Administrative Agent and Lenders shall execute such modifications to the Credit Documents as shall, in the reasonable judgment of Administrative Agent, be necessary or desirable in connection with assignments in accordance with the foregoing provisions of this Section.

Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

Borrower recognizes that in connection with a Lender's selling of Participations or making of assignments, any or all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, Guarantor or the Credit Facility may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee.

Section 10.11. Setoff. In addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim Administrative Agent or any Lender may otherwise have, Administrative Agent and each Lender shall be entitled to offset balances (general or special, time or demand, provisional or final) held by it for the account of Borrower at any of Administrative Agent's or such Lender's offices against any amount payable by Borrower to Administrative Agent or such Lender hereunder or under any other Credit Document which is not paid when due (regardless of whether such balances are then due to Borrower), in which case it shall promptly notify Borrower and (in the case of a Lender) Administrative Agent thereof; provided, however, that Administrative Agent's or such Lender's failure to give such notice shall not affect the validity thereof.

Section 10.12. Successors and Assigns. Except as herein provided, this Agreement shall be binding upon and inure to the benefit of Borrower, Administrative Agent and Lenders and their respective heirs, personal representatives, successors and assigns. Notwithstanding the foregoing, Borrower may not assign, transfer or set over to another, in whole or in part, all or any part of its benefits, rights, duties and obligations hereunder and under the other Credit Documents, including, but not limited to, performance of and compliance with conditions hereof and the right to receive the proceeds of Loans made under, and other extensions of credit under, the Credit Facility without the prior written consent of all of the Lenders (and any attempted such assignment, transfer or setting over without such consent shall be null and void).

Section 10.13. Severability. The provisions hereof are intended to be severable. Any provisions hereof, or the application thereof to any Person or circumstance, which, for any reason, in whole or in part, is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof (or the remaining portions of such provision) or the application thereof to any other Person or circumstance, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision (or portion thereof) or the application thereof to any Person or circumstance in any other jurisdiction.

Section 10.14. Non-Waiver; Remedies Cumulative. No failure or delay on Administrative Agent's or any Lender's part in exercising any right, remedy, power or privilege hereunder or under any of the other Credit Documents or provided by law (hereinafter in this Section, each a "Remedy") shall operate as a waiver of any such Remedy or shall be deemed to constitute Administrative Agent's or any Lender's acquiescence in any default by Borrower or Guarantor under any of said documents. A waiver by Administrative Agent or any Lender of any Remedy on any one occasion shall not be construed as a bar to any other or future exercise thereof or of any other Remedy. The Remedies are cumulative, may be exercised singly or concurrently and are not exclusive of any other Remedies.

Section 10.15. Certain Waivers. Each Credit Party hereby irrevocably and unconditionally waives (i) promptness and diligence, (ii) notice of any actions taken by Administrative Agent or any Lender hereunder or under any other Credit Document or any other agreement or instrument relating hereto or thereto except to the extent otherwise provided herein, (iii) all other notices, demands and protests, and all other formalities of every kind, in connection with the enforcement of a Credit Party's obligations hereunder and under the other Credit Documents, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving any Credit Party of any of its obligations hereunder or under the other Credit Documents, (iv) any requirement that Administrative Agent or any Lender protect, secure, perfect or insure any lien on any collateral for the Obligations or exhaust any right or take any action against Borrower, any other Credit Party, Guarantor or any other Person or against any collateral for the Obligations, (v) any right or claim of right to cause a marshalling of Borrower's assets and (vi) all rights of subrogation or contribution, whether arising by contract or operation of law or otherwise by reason of payment by Borrower pursuant hereto or pursuant to any other Credit Document. EACH CREDIT PARTY FURTHER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY OR ON BEHALF OF ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO THIS AGREEMENT, THE NOTES OR THE OTHER CREDIT DOCUMENTS OR OTHERWISE IN RESPECT OF THE LOANS OR THE CREDIT FACILITY, ANY AND EVERY RIGHT SUCH CREDIT PARTY MAY HAVE TO (W) INJUNCTIVE RELIEF, (X) A TRIAL BY JURY, (Y) INTERPOSE ANY COUNTERCLAIM THEREIN, OTHER THAN A COMPULSORY COUNTERCLAIM, AND/OR (Z) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING CONTAINED IN THE IMMEDIATELY PRECEDING SENTENCE SHALL PREVENT OR PROHIBIT BORROWER FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST ADMINISTRATIVE AGENT OR LENDERS WITH RESPECT TO ANY ASSERTED CLAIM.

Section 10.16. Expenses; Indemnification. Borrower covenants and agrees to pay all costs, expenses and charges (including, without limitation, all fees and charges of engineers, appraisers and Administrative Agent's Counsel) incurred by Administrative Agent or any Lender in connection with (i) the preparation for and consummation of the transactions contemplated hereby or for the performance hereof and of the other Credit Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and (ii) the enforcement hereof or of any or all of the other Credit Documents. If Borrower fails to pay promptly any costs, charges or expense required to be paid by it as aforesaid, and Administrative Agent or any Lender pays such costs, charges or expenses, Borrower shall reimburse Administrative Agent or such Lender, as appropriate, on demand for the amounts so paid, together with interest thereon at the Default Rate. Borrower further agrees to indemnify Administrative Agent and each Lender and their respective directors, officers, employees and agents from, and hold each of them harmless against, (x) any and all losses arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by Borrower of the proceeds of any of the Loans or of any other extension of credit under the Credit Facility, including, without limitation, the fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceedings and (y) any and all claims, actions, suits, proceedings, costs, expenses, losses, damages and liabilities of any kind, including in tort, penalties and interest, arising out of or by reason of any matter relating, directly or indirectly, to the ownership, condition, development, construction, sale, rental or financing of any of Borrower's Investments or any part thereof (but excluding any such losses, liabilities, claims, damages or expenses incurred solely by reason of the gross negligence or willful misconduct of the party to be indemnified). The obligations of Borrower under this Section and under Sections 3.01, 3.03, 6.03 and 6.04 shall survive the repayment of all amounts due under or in connection with any of the Credit Documents and the termination of the Credit Facility.

Section 10.17. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 10.18. Governing Law; Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law). Each Credit Party, Administrative Agent and each Lender hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York over any suit, action or proceeding arising out of or relating to this Agreement and the other Credit Documents, and each Credit Party hereby agrees and consents that, in addition to any methods of service of process provided for under applicable Law, all service of process in any such suit, action or proceeding in any New York State or Federal court sitting in The City of New York (or such other county in New York State) may be made by certified or registered mail, return receipt requested, directed to such Credit Party at the address for Borrower indicated on the signature page hereof, and service so made shall be complete five (5) days after the same shall have been so mailed.

Section 10.19. Integration. The Credit Documents and the Supplemental Fee Letter constitute the entire agreement among Administrative Agent, Borrower and Lenders relating to the transactions contemplated thereby (except with respect to agreements among Lenders or with Administrative Agent relating solely to compensation, consideration and the syndication of the Credit Facility) and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 10.20. Gross-Up for Taxes. All payments made by Borrower under this Agreement and the Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding income taxes and franchise or other taxes (imposed in lieu of income taxes) imposed on a Lender as a result of a present or former connection between such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or its Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to such Lender hereunder or under its Note, the amounts so payable to such Lender shall be increased to the extent necessary to yield to such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable with respect to the Credit Facility at the rates or in the amounts specified in this Agreement and its Note; provided, however, that Borrower shall not be required to increase any such amounts payable to such Lender if such Lender is not organized under the Laws of the United States or a state thereof and such Lender fails to comply with the requirements of Section 9.13. Whenever any Non-Excluded Taxes are payable by Borrower, as promptly as possible thereafter Borrower shall send to Administrative Agent for the account of such Lender a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to Administrative Agent the required receipts or other required documentary evidence, Borrower shall indemnify such Lender for any incremental taxes, interest or penalties that may become payable by such Lender as a result of any such failure. The agreements in this Section shall survive the termination of this Agreement and the payment of all amounts payable hereunder.

ARTICLE XI

PARTICULAR PROVISIONS

The foregoing Articles of this Agreement are subject to the following further provisions:

(a) In order to secure further the payment of the Obligations and the performance by Borrower of the Obligations and to effect and facilitate the right of Lenders to offset, while any Obligations are outstanding, (i) each of Borrower and Acadia Investors II hereby irrevocably appoints Administrative Agent as subscription agent and the sole party entitled, in the name of Borrower and Acadia Investors II, to make any Capital Calls, pursuant to the terms of the Operating Agreement and/or the Stockholders Agreement, upon the Investors upon the occurrence and during the continuance of an Event of Default, and (ii) subject to the next succeeding sentence, Borrower and Acadia Investors II shall direct all Investors to wire transfer to the Subscription Account all monies or sums paid or to be paid by any Investor to Borrower or Managing Member to fund its Capital Contribution as and when such Investor is required pursuant to the Operating Agreement and/or the Stockholders Agreement to fund such Capital Contribution. In addition, to the extent that Borrower or Acadia Investors II receives any Capital Contributions from the Investors during the term of this Agreement, they shall immediately deposit such Capital Contributions upon receipt into the Subscription Account and to the extent that Borrower or Acadia Investors II receives any amounts from an Investor while an Event of Default is continuing, they shall immediately deposit such amounts upon receipt into the Subscription Account. At such time as an Event of Default is not continuing, Borrower and Managing Member shall be the sole parties entitled to make Capital Calls upon the Investors.

(b) Notwithstanding anything to the contrary contained herein, it is expressly understood and agreed that neither Administrative Agent nor any Lender undertakes any duties, responsibilities, or liabilities with respect to the Capital Calls, the Stockholder Agreement or the Operating Agreement. Neither Administrative Agent nor any Lender shall be required to refer to Borrower's organizational documents or the Stockholders Agreement or take any other action with respect to any other matter which might arise in connection with Borrower's organizational documents or the Stockholder Agreement or any Capital Call. Neither Administrative Agent nor any Lender has any duty to determine or inquire into any happening or occurrence or any performance or failure of performance of Borrower. Neither Administrative Agent nor any Lender has any duty to inquire into the use, purpose, or reasons for the making of any Capital Call or with respect to the investment or use of the proceeds thereof.

(c) Provided that no Default or Event of Default has occurred and is then continuing, Administrative Agent shall release funds from the Subscription Account to Borrower for Approved Uses, subject to the terms hereof and of the Cash Collateral Agreement. Except as provided in Section 11.01(f), upon the occurrence and during the continuance of a Default or any Event of Default, Borrower shall have no right to any funds from the Subscription Account.

(d) Borrower and Acadia Investors II hereby irrevocably authorize and direct Lenders, acting through Administrative Agent, at any time following the occurrence and during the continuance of an Event of Default while any Obligations are outstanding, to charge from time to time the Subscription Account and any other accounts of Borrower at Lenders for amounts due Lenders or any of them hereunder and under the Notes and the other Credit Documents. Administrative Agent, on behalf of and in the name of Lenders, is hereby authorized, in the name of Borrower and/or Acadia Investors II, at any time or from time to time following the occurrence and during the continuance of an Event of Default while any Obligations are outstanding, to notify any or all parties obligated to Borrower with respect to the Capital Commitments to make all payments due or to become due thereon directly to Administrative Agent on behalf of Lenders, at a different account number, or to initiate one or more Capital Calls of the Capital Commitments in order to pay the Obligations. With or without such general notification, following the occurrence and during the continuance of an Event of Default while any Obligations are outstanding, Administrative Agent, on behalf of Lenders, (1) may make Capital Calls in Borrower's, Managing Member's or Acadia Investors II's name (to the extent permitted under the Stockholders Agreement and the Operating Agreement), (ii) may take or bring in Borrower's, Managing Member's or Acadia Investors II's name (to the extent permitted under the Stockholders Agreement and the Operating Agreement) all steps, actions, suits or proceedings deemed by Administrative Agent necessary or desirable to effect possession or collection of payments, (iii) may complete in Borrower's, Managing Member's or Acadia Investors II's name any contract or agreement of Borrower (to the extent permitted under the Stockholders Agreement and the Operating Agreement) required to realize upon the Capital Commitments, (iv) may compromise in Borrower's, Managing Member's or Acadia Investors II's name any claims related to the Capital Commitments, (v) may exercise in Borrower's, Managing Member's or Acadia Investors II's name any right, privilege, power or remedy provided to Borrower or Managing Member, or under Borrower's organizational documents or under the Stockholders Agreement and the Operating Agreement required to realize upon the Capital Commitments. Regardless of any provision hereof, in the absence of gross negligence or willful misconduct by Administrative Agent or any Lender, neither Administrative Agent nor any Lender shall ever be liable for failure to collect or for failure to exercise diligence in the collection, possession, or any transaction concerning all or part of the Capital Calls or Capital Commitments or sums due or paid thereon, nor shall they be under any obligation whatsoever to anyone by virtue of the security interests and Liens relating to the Capital Calls or Capital Commitments.

(e) Administrative Agent, on behalf of Lenders, is hereby authorized and empowered, following the occurrence and during the continuance of an Event of Default, on behalf of Borrower, Managing Member and/or Acadia Investors II, to endorse the name of Borrower, Managing Member and Acadia Investors II, upon any check, draft, instrument, receipt, instruction or other document or items, including, but not limited to, all items evidencing payment upon a Capital Call of any Person to Borrower, Managing Member or Acadia Investors II coming into Administrative Agent's possession, and to receive and apply the proceeds therefrom in accordance with the terms hereof. Administrative Agent on behalf of Lenders is hereby granted an irrevocable power of attorney, which is coupled with an interest, to execute all checks, drafts, receipts, instruments, instructions or other documents, agreements, or items on behalf of Borrower, Managing Member and Acadia Investors II, either before or after demand of payment hereunder or under the Notes or any other Obligation but only following the occurrence and during the continuance of an Event of Default as shall reasonably be deemed by Administrative Agent to be necessary or advisable to protect the security interests and Liens in the Capital Commitments, the membership interests in Borrower or the repayment of the Obligations, and neither Administrative Agent nor any Lender shall incur any liability in connection with or arising from its exercise of such power of attorney in the absence of gross negligence or willful misconduct.

(f) Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuation of an Event of Default, Borrower and Acadia Investors II shall be permitted to make a single Capital Call provided (i) the proceeds of such Capital Call are deposited into the Subscription Account, (ii) Borrower directs that such proceeds together with any other funds held in the Subscription Account shall be released by Administrative Agent to prepay the Notes in their entirety and/or held by Administrative Agent, for the benefit of the Lenders, as cash collateral for the Obligations, including, without limitation, the full amount of the Aggregate Outstanding Extensions of Credit, for application by Administrative Agent and Lenders to amounts due Administrative Agent and Lenders hereunder until the expiration, or return for cancellation, of all Letters of Credit and payment of all other outstanding Obligations hereunder, together with costs, expenses, funding losses, interest and penalties incurred therein as expressly contemplated in this Agreement and (iii) Borrower terminates the Credit Facility and agrees that upon the occurrence of an Event of Default Borrower shall have no further right to the making of any Loan or the issuance of any Letter of Credit hereunder.

(g) The application by Lenders of such funds hereunder shall, unless Administrative Agent shall agree otherwise in writing, be first to the payment of reasonable costs and expenses due Lenders under this Agreement, second to the payment of accrued interest due hereunder or under the Notes and last to the payment of the principal due hereunder. Borrower acknowledges that all funds so transferred into the Subscription Account shall be the property of Borrower only and not subject to any Lien of any party, other than Administrative Agent and Lenders.

Section 11.02. Subordination of Claims.

(a) Until the Obligations shall be paid and satisfied in full and except as expressly permitted under Section 11.01, Borrower, Managing Member and Acadia Investors II shall not receive or collect, directly or indirectly, from any Investor any amount upon the Investor Claims other than pursuant to this Section 11.02.

(b) Without the prior written consent of Administrative Agent, after the occurrence and during the continuation of an Event of Default Borrower and Acadia Investors II shall not (i) exercise or enforce any creditor or other right it may have against an Investor on account of any Investor Claims, (ii) foreclose, repossess, sequester or otherwise take steps or institute any action or proceedings (judicial or otherwise, including, without limitation, the commencement of, or joinder in, any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any liens, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of such Investor held by its as security for any Investor Claims, or (iii) exercise any rights or remedies against an Investor under a Stockholders Agreement or the Operating Agreement.

(c) Managing Member hereby agrees that its right to receive the Asset Management Fees as set forth in the Operating Agreement is subordinated to the Obligations, provided, however, so long as no Event of Default has occurred and is continuing, Acadia Investors II shall be entitled to receive the Asset Management Fees pursuant to the terms of the Operating Agreement.

[Remainder of page intentionally left blank]

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

ACADIA STRATEGIC OPPORTUNITY FUND II,
LLC, a Delaware limited liability company

By: Acadia Realty Acquisition II, LLC,
a Delaware limited liability company,
its managing member

By: Acadia Realty Limited Partnership,
its sole member

By: Acadia Realty Trust,
its general partner

By _____
Robert Masters
Senior Vice President

Address for notices:

c/o Acadia Realty Trust
1311 Mamaroneck Avenue, Suite 260
White Plains, New York 10605

ACADIA REALTY ACQUISITION II, LLC,
a Delaware limited liability company

By: Acadia Realty Limited Partnership,
its sole member

By: Acadia Realty Trust,
its general partner

By _____
Robert Masters
Senior Vice President

ACADIA INVESTORS II, INC., a Maryland corporation

By _____
Name:
Title:

BANK OF AMERICA, N.A., successor by merger to Fleet National Bank

By _____
Gregory Egli
Senior Vice President

Address for notices and Applicable Lending Office:

One Bryant Park, 35th Floor
New York, New York 10036
Attention: Mr. Gregory Egli

BANK OF AMERICA, N.A.
(as Administrative Agent)

By _____
Gregory Egli
Senior Vice President

Administrative Agent's Office and address for notices:

One Bryant Park, 35th Floor
New York, New York 10036
Attention: Mr. Gregory Egli

AUTHORIZATION LETTER

_____, 2010

[Name and address of Administrative Agent]

Re: Third Amended and Restated Credit Agreement dated as of March 3, 2010 (the "Credit Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement) among us, as Borrower, Acadia Realty Acquisition II, LLC, Acadia Investors II, Inc., the Lenders named therein, and you, as Administrative Agent for said Lenders

Dear Sir/Madam:

In connection with the captioned Credit Agreement, we hereby designate any of the following persons to give to you instructions, including notices required pursuant to the Credit Agreement, orally, by telephone or teleprocess, or in writing:

Michael Nelsen
Robert Masters
Richard Hartmann

Instructions may be honored on the oral, telephonic, teleprocess or written instructions of anyone purporting to be any one of the above designated persons even if the instructions are for the benefit of the person delivering them. We will furnish you with written confirmation of each such instruction signed by any person designated above (including any telecopy which appears to bear the signature of any person designated above) on the same day that the instruction is provided to you, but your responsibility with respect to any instruction shall not be affected by your failure to receive such confirmation or by its contents.

You and Lenders shall be fully protected in, and shall incur no liability to us for, acting upon any instructions which you in good faith believe to have been given by any person designated above, and in no event shall you or Lenders be liable for special, consequential or punitive damages. In addition, we agree to hold you and Lenders and your and their respective agents harmless from any and all liability, loss and expense arising directly or indirectly out of instructions that we provide to you in connection with the Credit Agreement except for liability, loss or expense occasioned by your gross negligence or willful misconduct.

Upon notice to us, you may, at your option, refuse to execute any instruction, or part thereof, without you or any Lender incurring any responsibility for any loss, liability or expense arising out of such refusal if you in good faith believe that the person delivering the instruction is not one of the persons designated above or if the instruction is not accompanied by an authentication method that we have agreed to in writing.

We will promptly notify you in writing of any change in the persons designated above and, until you have actually received such written notice and have had a reasonable opportunity to act upon it, you are authorized to act upon instructions, even though the person delivering them may no longer be authorized.

Very truly yours,

ACADIA STRATEGIC OPPORTUNITY FUND II,
LLC, a Delaware limited liability company

By: Acadia Realty Acquisition II, LLC,
a Delaware limited liability company,
its managing member

By: Acadia Realty Limited Partnership,
its sole member

By: Acadia Realty Trust,
its general partner

By _____
Robert Masters
Senior Vice President

EXHIBIT B

INCLUDED INVESTORS/CAPITAL COMMITMENTS

<u>Investors</u>	<u>Capital Commitment</u>	<u>Percentage Interest</u>	<u>Paid Capital Contributions</u>	<u>Unpaid Capital Commitments</u>
<u>Included Investors with Applicable Requirements</u>				
Yale University	\$ 52,383,677	20.00%	\$ 40,006,686	\$ 12,376,991
The Vanderbilt University	8,730,611	3.33%	6,667,783	2,062,828
The Board of Trustees of the Leland Stanford Junior University	43,653,064	16.67%	33,338,904	10,314,160
Gloster, LLC	43,653,064	16.67%	33,338,904	10,314,160
	<u>\$ 148,420,416</u>		<u>\$ 113,352,277</u>	<u>\$ 35,068,139</u>
<u>Included Investors without Applicable Requirements</u>				
Carnegie Corporation of New York	\$ 17,461,226	6.67%	\$ 13,335,561	\$ 4,125,665
The William and Flora Hewlett Foundation	21,826,532	8.33%	16,669,452	5,157,080
The Dupont Pension Trust	21,826,532	8.33%	16,669,452	5,157,080
	<u>61,114,290</u>		<u>46,674,465</u>	<u>14,439,825</u>
Total	<u>\$ 209,534,706</u>	<u>80.00%*</u>	<u>\$ 160,026,742</u>	<u>\$ 49,507,964</u>
<u>Non-Included Investor</u>				
Acadia Realty Acquisition II, LLC	\$ 52,383,678	20.00%	\$ 40,006,685	\$ 12,376,993

*Note: Acadia Realty Acquisition II, LLC holds a 20% interest but is not an Included Investor

EXHIBIT C

INVESTOR ACKNOWLEDGMENT

[Investor Acknowledgment - Investor to copy/print on letterhead]

**[Leave date blank - Borrower's counsel
should obtain authorization to complete
date upon closing]**

_____, 200__

Bank of America, N.A.
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 by and among Borrower, Managing Member, Investor and Fleet (the "First Restated Agreement"), as modified by that certain Modification of Amended and Restated Credit Agreement dated as of February, 2008 by and among Borrower, Managing Member, Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA") and The Bank of New York (the "Amendment", as amended and restated by that certain Third Amended and Restated Credit Agreement dated as of February 27, 2009 (the "Second Restated Agreement") among Borrower, Managing Member, Investor, BofA, certain other lenders which are, or may become, lenders pursuant to such Agreement (BofA and such other lenders, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as further amended and restated by that certain Third Amended and Restated Agreement dated as of March 3, 2010 by and among Borrower, Managing Member, Investor, Lenders and Administrative Agent (the "Third Restated Agreement", and, as amended, supplemented or otherwise modified from time to time, the "Credit Agreement")

Ladies and Gentlemen:

In order to induce Lenders to provide the Credit Facility to Borrower, the undersigned hereby acknowledges and agrees as follows:

We have entered into that certain that certain Stockholders Agreement by and among Investor, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004, as the same may hereafter be modified in compliance with the terms of this Agreement (the "Stockholders Agreement"; all capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Stockholders Agreement), pursuant to which we have (i) purchased shares of stock in Investor, which is a member in Borrower and (ii) committed to make cash contributions of capital ("Capital Contributions") to Investor on the terms and subject to the conditions set forth in the Stockholders Agreement with an Aggregate Capital Commitment of \$_____ (our "Capital Commitment"), which Capital Contributions are to be contributed by Investor to Borrower pursuant to the terms of the Operating Agreement.

As of the date hereof, our Remaining Capital Commitment is \$_____, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement.

We hereby agree that we shall deliver to Administrative Agent from time to time upon the request of Managing Member, Investor, Administrative Agent or any Lender, a certificate setting forth the amount of our Remaining Capital Commitment. **[Add for Dupont Trust and Hewlett Trust: We hereby further agree to deliver to Administrative Agent the financial statements as and when required under Section 6.06(11) of the Credit Agreement.]**

We hereby acknowledge and agree that under the terms of and subject to the conditions set forth in the Stockholders Agreement, we are obligated to fund our undrawn Aggregate Capital Commitment required on account of calls for Capital Contributions duly made in accordance with the terms of the Stockholders Agreement (including, without limitation, subsequent calls for Capital Contributions made in connection with a shortfall in funds available to Borrower as a result of the failure of any other Major Stockholder or Managing Member to advance funds with respect to a call for Capital Contributions duly made). In addition, we hereby acknowledge and confirm to Administrative Agent, Lenders, Managing Member and Investor that we will make Capital Contributions to the extent of our unfunded Aggregate Capital Commitment, to be applied to the repayment of outstanding obligations under the Credit Agreement, whether such Capital Contributions are called by Managing Member, Investor or Administrative Agent for such purpose on behalf of Managing Member and Investor (whether or not any Person is then acting as Managing Member for Borrower or Manager for Investor) without defense, counterclaim or offset of any kind, all of which we hereby waive. Notwithstanding anything to the contrary in the Stockholders Agreement or Operating Agreement, we hereby acknowledge and agree that (i) our obligation to fund our Aggregate Capital Commitment as and when requested by Administrative Agent is unconditional and (ii) Administrative Agent shall not be required to state any specific purpose or use of funds, deliver any supporting documentation whatsoever or comply with any formalities when making a Drawdown on our Aggregate Capital Commitment, except that such Drawdown must be made in writing.

We hereby (i) acknowledge that Borrower, Managing Member and Investor, pursuant to the terms of the Stockholders Agreement are making a collateral assignment to Administrative Agent for the benefit of Lenders of the right to call all future draws under the Stockholders Agreement to secure all loans and other extensions of credit made under the Credit Facility and all other obligations of Borrower under the Credit Agreement and the other Credit Documents (as defined in the Credit Agreement), (ii) represent that as of the date hereof, (A) to the best of our knowledge there is no default or circumstance which with the passage of time and/or the giving of notice would constitute a default under the Operating Agreement or the Stockholders Agreement, (B) the Stockholders Agreement has not been modified or amended except for the amendment referred to above and is in full force and effect and enforceable against the undersigned in accordance with its terms and (C) we do not have any right of offset against, or reduction to, our obligation to fund our undrawn Aggregate Capital Commitment, (iii) acknowledge that for so long as the Credit Facility is in place we will not amend, modify, supplement, cancel, terminate, reduce or suspend any of the provisions of the Stockholders Agreement or the Operating Agreement relating to the Aggregate Capital Commitments, the making of Capital Contributions or the incurrence of indebtedness or any other provisions that would adversely affect the rights of Administrative Agent or Lenders without your prior written consent and (iv) acknowledge that until otherwise instructed by both Borrower and you in writing, all future Capital Contributions made by us under the Stockholders Agreement will be made by wire transfer to the following account which Borrower has also pledged as security for the Obligations (as such term is defined in the Credit Agreement):

Bank:	Bank of America, N.A.
Bank Address:	One Bryant Park, 35th Floor New York, New York 10036
Account Number:	9489651466
ABA Number:	021200339
Account Name:	Acadia Strategic Opportunity Fund II, LLC
Contact Person:	Mr. Gregory Egli
Telephone:	646-855-2630

[Add to Yale acknowledgment: The undersigned represents, warrants and agrees to and with you that Yale University fully and irrevocably guarantees payment by Gloster LLC of Gloster LLC's Capital Commitment to Investor. Alternatively, Yale to provide separate guaranty in form acceptable to Lenders.]

We understand that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Credit Facility available to Borrower and, accordingly, hereby acknowledge that Capital Contributions we make under the Stockholders Agreement will not satisfy our obligation to fund our undrawn Aggregate Capital Commitment unless such Capital Contributions are paid into the above account (unless we are otherwise instructed by Borrower and Administrative Agent as described above). We hereby acknowledge that the terms of the Credit Agreement and of each other Credit Document (as defined therein) can be modified without further notice to us or our consent. In addition, we understand that the Credit Agreement and this Investor Acknowledgment shall be for the benefit of Administrative Agent, Lenders, and Lenders' successors and assigns, and that this Investor Acknowledgment will remain in effect until we are notified jointly by Administrative Agent and Managing Member that the Credit Facility has been terminated.

Very truly yours,

By _____

Name:

Title:

EXHIBIT D

NOTE

\$ _____

New York, New York
_____, 2010

For value received, ACADIA STRATEGIC OPPORTUNITY FUND II, LLC, a Delaware limited liability company ("Maker") hereby covenants and promises to pay to the order of [NAME OF LENDER] or its successors or assigns (collectively, "Lender"), at the principal office of BANK OF AMERICA, N.A. located at One Bryant Park, 35th Floor, New York, New York 10036 ("Administrative Agent") for the account of the Applicable Lending Office of Lender, the principal sum of _____ Dollars (\$ _____) or so much thereof as shall be advanced and remain unpaid pursuant to the Loan Agreement (as defined below), in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Maker also covenants and promises to pay interest on the unpaid principal balance here of, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the time and at a rate per annum as provided in the Loan Agreement. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the Default Rate.

This Note is one of the Notes referred to in the Third Amended and Restated Credit Agreement dated as of the date hereof (as the same may be amended or supplemented from time to time, the "Loan Agreement") among Maker, as Borrower, Acadia Realty Acquisition II, LLC, Acadia Investors II, Inc., the lenders named therein (including Lender), as Lenders, and Administrative Agent, as Administrative Agent for Lenders. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

The Loan Agreement contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or any other court proceeding (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon default, Maker agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note shall be governed by the Laws of the State of New York (without giving effect to New York's principles of conflicts of law), provided that, as to the maximum lawful rate of interest which may be charged or collected, if the Laws applicable to Lender permit it to charge or collect a higher rate than the Laws of the State of New York, then such Law applicable to Lender shall apply to Lender under this Note.

Anything herein to the contrary notwithstanding, the obligations of Maker under this Note shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by Lender would be contrary to provisions of Law applicable to Lender limiting the maximum rate of interest that may be charged or collected by Lender.

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the date first above written.

ACADIA STRATEGIC OPPORTUNITY FUND II, LLC,
a Delaware limited liability company

By: Acadia Realty Acquisition II, LLC, a Delaware limited liability
company, its managing member

By: Acadia Realty Limited Partnership,
its sole member

By: Acadia Realty Trust, its
general partner

By: _____
Robert Masters
Senior Vice President

EXHIBIT E

CLOSING CERTIFICATE

Pursuant to Section 4.01(c) of that certain Third Amended and Restated Credit Agreement, dated as of the date hereof (the "Credit Agreement"; capitalized terms used herein without definition are used as defined in the Credit Agreement), among Acadia Strategic Opportunity Fund II, LLC, a Delaware liability company ("Borrower"), as Borrower, Acadia Realty Acquisition II, LLC, Acadia Investors, Inc., the lenders named therein and Administrative Agent, as Administrative Agent for Lenders, the undersigned hereby certifies to Administrative Agent and Lenders as follows:

(a) The Certificate of Formation of Borrower previously delivered to Administrative Agent in connection with the execution and delivery of the Credit Agreement has not been amended or modified;

(b) The Operating Agreement of Borrower dated as of October 15, 2004 (effective as of August 15, 2004) previously delivered to Administrative Agent in connection with the execution and delivery of the Credit Agreement has been amended by First Amendment to Amended and Restated Operating Agreement of Borrower dated as of August 15, 2004 by and among Managing Member and Acadia Investors II, Inc. dated as of August 15, 2004, as supplemented by that certain Pledge Agreement dated as of June 15, 2004 from Acadia Investors II, Inc. to Borrower, and as amended by Second Amendment to Amended and Restated Operating Agreement of Borrower by and among Managing Member and Acadia Investors II dated as of January 1, 2006, and the Operating Agreement, as so amended and supplemented, has not been further modified, amended or supplemented and is in full force and effect;

(c) Attached hereto as "Exhibit A" is a certificate dated as of a recent date from the Secretary of State of Delaware evidencing the good standing of Borrower in such jurisdiction; and

(d) Immediately prior to and immediately after the date hereof, no Default or Event of Default shall have occurred and will be continuing.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Closing Certificate as of this _____ day of _____, 2010.

ACADIA STRATEGIC OPPORTUNITY FUND II, LLC,
a Delaware limited liability company

By: Acadia Realty Acquisition II, LLC, a Delaware limited liability
company, its managing member

By: Acadia Realty Limited Partnership,
its sole member

By: Acadia Realty Trust, its
general partner

By _____
Robert Masters
Senior Vice President

EXHIBIT F

JURISDICTIONS FOR FILING OF FINANCING STATEMENTS

	<u>Debtor</u>		<u>Jurisdiction</u>
Borrower	-	-	State of Delaware
Managing Member			State of Delaware
Acadia Investors II			State of Maryland

EXHIBIT G

COMPLIANCE AND BORROWING BASE CERTIFICATE

Robert Masters does hereby certify to Bank of America, N.A., as Administrative Agent ("Agent") and the Lenders referred to in the Credit Agreement referred to below as follows:

1. I am a Senior Vice President and General Counsel of Acadia Realty Trust, the general partner of Acadia Realty Limited Partnership, the sole member of Acadia Realty Acquisition II, LLC ("Managing Member"), which is the managing member of Acadia Strategic Opportunity Fund II, LLC ("Borrower").

2. This certificate is the Borrowing Base Certificate referred to in Section 4.01(c) of the Third Amended and Restated Credit Agreement ("Credit Agreement") dated as of March 3, 2010 among Borrower, the Managing Member, Acadia Investors II, Inc., Agent and Lenders named therein. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement. This certificate is being delivered to the Administrative Agent and Lenders with the understanding that Administrative Agent and Lenders will be relying on the accuracy hereof.

3. As of the date hereof the aggregate Capital Commitments of the Investors is \$_____ and the aggregate Unpaid Capital Commitments is \$_____.

4. Exhibit 1 annexed hereto contains a list of the Included Investors and Investors which are not Included Investors and sets forth their respective interests in Borrower, Capital Commitments and Unpaid Capital Commitments, all as of the date hereof.

5. The Available Commitment as of the date hereof is \$_____, a calculation of which is set forth on Exhibit 2 annexed hereto.

6. The cost basis of each Investment owned by Borrower as of the date hereof is separately identified and quantified on Exhibit 3 annexed hereto and the aggregate of such amounts is \$_____ (the "Investment Amount"). Each obligation which constitutes Indebtedness or Guaranteed Obligations of Borrower and its Subsidiaries is separately identified and quantified on Exhibit 4 annexed hereto and the aggregate of such amounts is \$_____ (the "Indebtedness and Guaranteed Obligations Amount"). As of the date hereof, the Indebtedness and Guaranteed Obligations Amount constitutes _____% of the Investment Amount and therefore Borrower [is] [is not] in compliance with Section 7.01 of the Credit Agreement.

7. As of the date hereof, Borrower has observed or performed all of its covenants and other agreements in all material respects, and satisfied every material condition, contained in the Credit Agreement and the other Credit Documents to be observed, performed or satisfied by it, and the undersigned officer knows of no Default or Event of Default which has occurred and is continuing, except as follows: **[If none, state "none", otherwise specify the nature and period of existence of the Default or Event of Default and what action Borrower has taken or proposes to take with respect thereto.]**

8. Each of the Investors has delivered Investor Acknowledgments and copies of such organizational documentation or other documentation evidencing each such Investor's authority to execute and deliver its Investor Acknowledgment to Administrative Agent and Lenders as required by the Credit Agreement.

9. As of the date hereof, Borrower has observed or performed all of its covenants and other agreements in all material respects, and satisfied every material condition, contained in the Credit Agreement and the other Credit Documents to be observed, performed or satisfied by it, and that the undersigned knows of no Default or Event of Default which has occurred and is continuing.

Dated: As of _____, 2010

Robert Masters
Senior Vice President - General Counsel

Exhibit 1

Investors	Capital Commitment	Percentage Interest	Paid Capital Contributions	Unpaid Capital Commitments
<u>Included Investors with Applicable Requirements</u>				
Yale University	\$ 52,383,677	20.00%		\$
Dore LP ¹	8,730,611	3.33%		
The Board of Trustees of the Leland Stanford Junior University	43,653,064	16.67%		
Gloster, LLC ²	43,653,064	16.67%		
<u>Included Investors without Applicable Requirements</u>				
Carnegie Corporation of New York	17,461,226	6.67%		
The William and Flora Hewlett Foundation	21,826,532	8.33%		
The Dupont Pension Trust	21,826,532	8.33%		
<u>Non-Included Investors</u>				
Acadia Realty Acquisition II, LLC ³	52,383,678	20.00%		
Total	\$ 261,918,384	100%		\$

¹ The Vanderbilt University is the Investor Guarantor of Dore Capital Real Estate, L.P.

² Yale University is the Investor Guarantor of Gloster LLC

³ Guarantor is the Investor Guarantor of Acadia Realty Acquisition II, LLC

Exhibit 2

Lesser of (x) \$_____ (Total Commitment as the same may have been reduced pursuant to Section 2.14 of the Credit Agreement) and (y) the sum of (1) \$_____ (90% of the Unpaid Capital Commitments of all Included Investors which satisfy the Applicable Requirements) plus (2) \$_____ (50% of the Unpaid Capital Commitment of Managing Member) plus (3) \$_____ (80% of the Unpaid Capital Commitments of all other Included Investors).

\$_____ plus \$_____ plus \$_____ = \$_____. Therefore, the Available Commitment is currently \$_____.

EXHIBIT H

CAPITAL STOCK OF SUBSIDIARIES

Acadia-P/A Holding Company, LLC ("P/A Holding"):	90% owned by Borrower
Acadia-PA East Fordham Acquisitions, LLC	100% owned by P/A Holdings
P/A-Acadia Pelham Manor, LLC	100% owned by P/A Holdings
Acadia-PA Sherman Avenue, LLC	100% owned by P/A Holdings
Acadia-P/A Canarsie, LLC	100% owned by P/A Holdings
Canarsie Plaza LLC	80% owned by Acadia-P/A Canarsie, LLC
Acadia-P/A Albee LLC	100% owned by P/A Holdings
Acadia-P/A/T Albee LLC	95% owned by Acadia-P/A Albee LLC
Albee Office Development LLC	50% owned by Acadia-P/A/T Albee LLC
Albee Retail Development LLC	75% owned by Acadia-P/A/T Albee LLC
Albee Development LLC	1.5% owned by Albee Office Development LLC 32% owned by Albee Retail Development LLC
Fordham Place Office LLC	100% owned by P/A Holdings
APA 216 th Street LLC	100% owned by P/A Holdings
Acadia-P/A 161 st Street LLC	100% owned by P/A Holdings
Acadia-P/A Liberty LLC	100% owned by P/A Holdings
Acadia Marsh Investors LLC	100% owned by Borrower
Acadia Shopko Investors LLC	100% owned by Borrower
Acadia Oakbrook LLC	100% owned by Borrower
Acadia Atlantic Avenue LLC	100% owned by Borrower

EXHIBIT I

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of _____, 200__, among [NAME OF ASSIGNING BANK] ("Assignor") and [NAME OF ASSIGNEE] ("Assignee").

Preliminary Statement

1. This Assignment and Assumption Agreement (this "Agreement") relates to the Third Amended and Restated Credit Agreement (as the same may be amended from time to time, the "Loan Agreement") dated as of March 3, 2010 among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC, Acadia Investors II, Inc., the lender(s) party thereto (each a "Lender" and, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"). All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Loan Agreement.

2. Subject to the terms and conditions set forth in the Loan Agreement, Assignor has made an Individual Commitment to Borrower in an aggregate principal amount of \$_____ ("Assignor's Loan Commitment").

3. The aggregate outstanding principal amount under Assignor's Loan Commitment at the commencement of business on the date hereof is \$_____.

4. Assignor desires to assign to Assignee all of the rights of Assignor under the Loan Agreement in respect of a portion of Assignor's Loan Commitment and the Loans and other extensions of credit made or participated in by Assignor pursuant thereto, such portion being in an amount equal to \$_____ (the "Assigned Loan and Commitment"), of which \$_____ is currently outstanding and \$_____ is still to be extended to Borrower pursuant to the Loan Agreement; and Assignee desires to accept assignment of such rights and assume the corresponding obligations from Assignor on such terms.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Assignment. Assignor hereby assigns and sells to Assignee all of the rights of Assignor under the Loan Agreement in and to the Assigned Loan and Commitment, and Assignee hereby accepts such assignment from Assignor and assumes all of the obligations of Assignor under the Loan Agreement with respect to the Assigned Loan and Commitment, including, without limitation, Assignor's obligations with respect to the undisbursed portion, if any, thereof. Upon the execution and delivery hereof by Assignor, Assignee, and (if applicable) Administrative Agent and the payment of the amount specified in Section 2 hereof required to be paid on the date hereof, (1) Assignee shall, as of the commencement of business on the date hereof, succeed to the rights and obligations of a Lender under the Loan Agreement with an Individual Commitment in an amount equal to the Assigned Loan and Commitment, and (2) the Individual Commitment of Assignor shall, as of the commencement of business on the date hereof, be reduced correspondingly and Assignor released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee. Assignor represents and warrants that it (x) owns the Assigned Loan and Commitment free and clear of all liens and other encumbrances created by Assignor and (y) is legally authorized to enter into and perform this Agreement. Except as provided in the immediately preceding sentence, the assignment provided for herein shall be without representation or warranty by, or recourse to, Assignor.

SECTION 2. Payments. As consideration for the assignment and sale contemplated in Section 1 hereof, Assignee shall pay to Assignor on the date hereof, in immediately available funds, an amount equal to the outstanding principal amount under the Assigned Loan and Commitment recited in paragraph 4 of the Preliminary Statement above. Each of Assignor and Assignee hereby agrees that if it receives any amount under the Loan Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 3. Consent; Execution and Delivery of Notes. [This Agreement is conditioned upon the consent of Administrative Agent pursuant to Section 10.10 of the Loan Agreement. The execution of this Agreement by Administrative Agent is evidence of this consent.] [**Consents not required for certain assignments to entities related to a Lender.**] Pursuant to Section 10.10 of the Loan Agreement, Borrower has agreed to execute and deliver Notes payable to the respective orders of Assignee and Assignor to evidence the assignment and assumption provided for herein. Assignee has designated as its Applicable Lending Office, and as its address for notices, the office identified as such below.

SECTION 4. Non-Reliance on Assignor. Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of Borrower or any other party to any Credit Document, or the validity and enforceability of the obligations of Borrower or any other party to a Credit Document in respect of the Loan Agreement or any other Credit Document. Assignee acknowledges that it has, independently and without reliance on Assignor, any other Lender or Administrative Agent, and based on such documents and information as it has deemed appropriate, made its own analysis of the Collateral, credit analysis of Borrower and Guarantor and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the Collateral and of the business, affairs and financial condition of Borrower and the other parties to the Credit Documents.

SECTION 5. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law).

SECTION 6. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7. Certain Representations and Agreements by Assignee. Assignee represents that it is legally authorized to enter into and perform this Agreement. In addition, Assignee hereby represents that it is entitled to receive any payments to be made to it under the Loan Agreement or hereunder without the withholding of any tax and agrees to furnish the evidence of such exemption as specified therein and otherwise to comply with the provisions of Section 9.13 of the Loan Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

By _____
Name:
Title:

[NAME OF ASSIGNEE]

By _____
Name:
Title:

Assignee's Applicable Lending Office and Address for Notices:

[Assignee]
[Address]
Attention: _____
Telephone: (____) _____

BANK OF AMERICA, N.A.

By _____
Name:
Title:

EXHIBIT J

UCC-1 FINANCING STATEMENTS

[Attached]

EXHIBIT K

FORM OF INVESTOR REAFFIRMATIONS

[Attached]

[Investor Acknowledgment Reaffirmation -
Vanderbilt University to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$2,062,828, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

VANDERBILT UNIVERSITY

By _____
Matthew W. Wright
Vice Chancellor for Investments

Exhibit A - Investor Acknowledgment

EXHIBIT K (Continued)

[Investor Acknowledgment Reaffirmation -
Gloster LLC to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$10,314,160, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

GLOSTER, LLC

By: Fourth Century, LLC, its managing member

By: 3C Corporation, its managing member

By

David F. Swensen
President

Exhibit A - Investor Acknowledgment

EXHIBIT K (Continued)

[Investor Acknowledgment Reaffirmation -
Yale University to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$12,376,991, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

YALE UNIVERSITY

By

David F. Swensen
Chief Investment Officer

Exhibit A - Investor Acknowledgment

EXHIBIT K (Continued)

[Investor Acknowledgment Reaffirmation -
Stanford to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$10,314,160, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

By

Laudan Nabizadeh
Director, Real Estate & Natural Resources
Investments

Exhibit A - Investor Acknowledgment

EXHIBIT K (Continued)

[Investor Acknowledgment Reaffirmation -
State Street/Dupont to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$5,157,080, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

STATE STREET BANK AND TRUST
COMPANY, as Trustee for the DuPont Pension
Trust

By

Name:
Title:

Exhibit A - Investor Acknowledgment

EXHIBIT K (Continued)

[Investor Acknowledgment Reaffirmation -
Carnegie Corp. to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$4,125,665, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

CARNEGIE CORPORATION OF NEW YORK

By

D. Ellen Shuman
Vice President and Chief Investment Officer

Exhibit A - Investor Acknowledgment

EXHIBIT K (Continued)

[Investor Acknowledgment Reaffirmation -
Hewlett Foundation to copy/print on letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). Investor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the maturity date of the Credit Agreement. In connection with the extension, Borrower has agreed that the maximum principal amount of the credit facility under the Credit Agreement will be \$40,000,000 and has agreed to increase the "Applicable Margin" (as such quoted term is defined in the Credit Agreement) (such modifications, the "Extension Modification").

Pursuant to the Investor Acknowledgment and in order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Gloster LLC, Yale University, The Vanderbilt University, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$5,157,080, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

THE WILLIAM AND FLORA HEWLETT FOUNDATION

By

Laurance R. Hoagland, Jr.
Vice President and Chief Investment Officer

Exhibit A - Investor Acknowledgment

EXHIBIT L

FORM OF GLOSTER PRINCIPAL REAFFIRMATION

[Attached]

March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned ("Guarantor") executed and delivered to Administrative Agent for Lenders a Guaranty dated as of March 21, 2006, a copy of which is attached hereto as Exhibit A (the "Guaranty"). Guarantor has been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the "Maturity Date". In connection with the extension, Borrower has agreed to increase the "Applicable Margin" (as such quoted terms are defined in the Credit Agreement (such modifications, the "Extension Modification").

In order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Guaranty):

1. Guarantor hereby acknowledges that the Guaranty remains unmodified and in full force and effect.
2. Guarantor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

YALE UNIVERSITY

By

David F. Swensen
Chief Investment Officer

Exhibit A - Guaranty

EXHIBIT L (Continued)

[Comfort Letter Reaffirmation - copy/print on Yale letterhead]

As of March 3, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement and amended and restated by the Second Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, the undersigned (collectively, "Gloster Affiliates") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Comfort Letter"). The Gloster Affiliates have been advised that Borrower has requested that Lenders modify the Credit Agreement to, among other things, extend the "Maturity Date". In connection with the extension, Borrower has agreed to increase the "Applicable Margin" (as such quoted terms are defined in the Credit Agreement (such modifications, the "Extension Modification").

In order to induce Lenders to enter into the Extension Modification, the undersigned hereby acknowledge and agree as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Comfort Letter):

1. The Gloster Affiliates hereby acknowledge that the Comfort Letter remains unmodified and in full force and effect.
2. The Gloster Affiliates understand that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with making the Extension Modification available to Borrower.

Very truly yours,

FOURTH CENTURY, LLC

By: 3C Corporation, as Manager

By

Dale F. Swensen
President

YALE UNIVERSITY RETIREMENT PLAN FOR
STAFF EMPLOYEES

By Yale University, as Administrator

By

Dale F. Swensen
Chief Investment Officer

YALE UNIVERSITY RETIREE HEALTH
BENEFITS COVERAGE TRUST

By: Yale University, as Trustee

By

Dale F. Swensen
Chief Investment Officer

Exhibit A - Comfort Letter

EXHIBIT M

ASSUMPTION OF INVESTOR ACKNOWLEDGMENT OBLIGATIONS

As of March ____, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Re: Revolving Credit Facility (the "Credit Facility") established pursuant to that certain Credit Agreement dated as of March 9, 2005 (the "Original Credit Agreement"), among Acadia Strategic Opportunity Fund II, LLC ("Borrower"), Acadia Realty Acquisition II, LLC ("Managing Member"), Acadia Investors II, Inc. ("Acadia Investor") and Fleet National Bank ("Fleet"), as amended and restated by that certain Amended and Restated Credit Agreement dated as of March 21, 2006 (the "First Restated Credit Agreement") among Borrower, Managing Member, Acadia Investor, Bank of America, N.A., as successor by merger to Fleet (in its individual capacity, "BofA"), The Bank of New York, now known as The Bank of New York Mellon ("BNYM"; BNYM, BofA and each other lender which may become a lender pursuant to such agreement, collectively, "Lenders") and Bank of America, N.A., as administrative agent ("Administrative Agent"), as amended by Modification of Amended and Restated Credit Agreement dated as of February 29, 2008 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "First Modification Agreement") and as amended and restated by Second Amended and Restated Credit Agreement dated as of February 27, 2009 among Borrower, Managing Member, Acadia Investor, BofA, BNYM and Administrative Agent (the "Second Restated Credit Agreement") and as amended by Third Amended and Restated Credit Agreement dated as of March 3, 2010 among Borrower, Managing Member, Acadia Investor, BofA and Administrative Agent (the "Third Restated Credit Agreement"; the Original Credit Agreement, as restated by the First Restated Credit Agreement, modified by the First Modification Agreement, amended and restated by the Second Restated Credit Agreement and amended and restated by the Third Restated Credit Agreement and as amended, supplemented or otherwise modified from time to time, collectively, the "Credit Agreement")

Ladies and Gentlemen:

In connection with the Credit Agreement, The Vanderbilt University ("Original Investor") executed and delivered to Administrative Agent for Lenders a letter agreement dated contemporaneously with the Credit Agreement, a copy of which is attached hereto as Exhibit A (the "Investor Acknowledgment"). The undersigned Dore Capital Real Estate, L.P., a Delaware limited partnership ("Investor") has requested that, pursuant to the Credit Agreement and the Investor Acknowledgment, Lenders consent to the acquisition by Investor of 100% of Original Investor's interest in Acadia Investor.

In order to induce Lenders to consent to Investor's acquisition of Original Investor's interest in Acadia Investor, the undersigned hereby acknowledges and agrees as follows (capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Investor Acknowledgment):

1. That certain Stockholders Agreement by and among Acadia Investor, Original Investor, Yale University, Gloster, LLC, Carnegie Corporation of New York, The Board of Trustees of the Leland Stanford Junior University, State Street Bank and Trust Company as Trustee for the Dupont Pension Trust and The William and Flora Hewlett Foundation dated as of October 15, 2004 (effective as of August 15, 2004) as amended by First Amendment to Stockholders Agreement dated as of August 15, 2004 (the "Stockholders Agreement") remains in full force and effect and has not been modified, except for that certain [**Assignment and Assumption Agreement dated _____**] by and between Investor and Original Investor, a true and correct copy of which is attached hereto as Exhibit B.

2. Investor hereby acknowledges that the Investor Acknowledgment remains unmodified and in full force and effect. As of the date hereof, (i) Investor's Remaining Capital Commitment is \$2,062,828, which may be drawn upon the delivery of one or more Drawdown Notices pursuant to and in accordance with the Stockholders Agreement and/or the Investor Acknowledgment and (ii) Investor does not have any right of offset against, or reduction to, Investor's obligation to fund Investor's undrawn Aggregate Capital Commitment.

3. Investor represents and warrants to Administrative Agent and Lenders that (i) the sole general partner of Investor is Dore Capital Real Estate, LLC ("GP"), (ii) GP is owned 100% by Original Investor and (iii) Original Investor is the sole limited partner in Investor. Investor agrees that at all times Original Investor shall retain 100% of the ownership interests in Investor and that no direct or indirect interests in Investor shall be transferred, assigned, conveyed, pledged, mortgages or encumbered without the prior written consent of Lenders.

4. Investor understands that Lenders and Administrative Agent will be relying upon the statements and agreements made herein in connection with continuing to provide credit to Borrower under the Credit Agreement.

Very truly yours,

DORE REAL ESTATE, L.P., a Delaware limited partnership

By: Dore Capital Real Estate, LLC, its general partner

By

Matthew W. Wright
President

This is to certify that this instrument was executed in my presence on the date hereof by the party whose signature appears above in the capacity indicated.

Notary Public

My Commission Expires:

Exhibit A - Investor Acknowledgment
Exhibit B - Assignment and Assumption Agreement

EXHIBIT N

VANDERBILT GUARANTY

March __, 2010

Bank of America, N.A., as Administrative Agent
One Bryant Park, 35th Floor
New York, New York 10036

Attention: Real Estate Finance

Re: \$40,000,000 Credit Facility (the "Credit Facility") from Bank of America, N.A. ("BofA"; BofA and such other lenders as may be "lenders" from time to time under the "Agreement", as defined below) to Acadia Strategic Opportunity Fund II, LLC ("Borrower")

Dear Sir/Madam:

In connection with the Credit Facility, The Vanderbilt University ("Guarantor") executed and delivered to Lenders a letter agreement dated March 21, 2006 (the "Original Investor Acknowledgment"), related to Guarantor's obligations to contribute capital to Acadia Investors II, Inc. ("Acadia Investors"), a Maryland corporation, in which Guarantor was a shareholder, with such capital contributions intended to be further contributed by Acadia Investors (which is a member in Borrower) to Borrower. Pursuant to that certain _____ dated _____, Guarantor assigned 100% of its shares of stock in Acadia Investors to Dore Capital Real Estate, L.P., a Delaware limited partnership ("New Investor"). Pursuant to an Assumption of Investor Acknowledgment Obligations dated as of March __, 2010 from New Investor to Administrative Agent (the "Assumption"; and, together with the Original Investor Acknowledgment, as the same may hereafter be modified or amended, the "Investor Acknowledgment"), New Investor has assumed all of Guarantor's obligations under the Original Investor Acknowledgment.

To induce you and the "Lenders" (as such quoted term is defined in the Agreement identified below) to consent to the transfer of Guarantor's interest in Acadia Investors to New Investor and to continue to make the Credit Facility available to Borrower in accordance with (i) a Third Amended and Restated Credit Agreement dated as of March 3, 2010 among Borrower, as Borrower, BofA, as Lender, and BofA, as Administrative Agent ("Administrative Agent") (said Credit Agreement, as amended from time to time, the "Agreement"), and (ii) an Amended and Restated Capital Contributions Pledge Agreement dated as of March 21, 2006 from Borrower for the benefit of Lenders and Administrative Agent (as amended from time to time, the "Security Instrument"; the term "Security Instrument" shall be deemed to include any other agreement given to Lenders and/or Administrative Agent as security for the obligations and liabilities of the Borrower and the undersigned in respect of or in connection with the Credit Facility and the term "Collateral" shall mean the property covered by the Security Instrument and any other collateral now or hereafter given as security for the obligations and liabilities of the Borrower and the undersigned in respect of or in connection with the Credit Facility), each dated the date hereof, Guarantor hereby represents, warrants and covenants to Lenders and Administrative Agent as follows (*capitalized terms used herein without definition having the respective meanings ascribed to them in the Agreement*):

1. Authorization and Enforceability. This Guaranty has been duly authorized and executed by the signatories hereto and is a legal, valid and binding instrument, enforceable against Guarantor in accordance with its terms.

2. Obligations Guaranteed. Guarantor guarantees the prompt payment to Lenders and Administrative Agent, as and when due Lenders and Administrative Agent in accordance with the terms of the Security Instrument, of (i) the entire Capital Commitment which New Investor has committed to Acadia Investors pursuant to the Stockholders Agreement (under which New Investor has assumed all of the obligations of Guarantor) and the Investor Acknowledgment, which funds in turn Acadia Investors has committed to fund to Borrower pursuant to the Operating Agreement of Borrower, (ii) all legal and other costs or expenses paid or incurred by or on behalf of Lenders or Administrative Agent in the enforcement thereof or hereof and (iii) any loss, cost, damage or expense paid or incurred by or on behalf of Lenders and Administrative Agent by reason of gross negligence or fraudulent acts or omissions of Guarantor or New Investor. Guarantor acknowledges and agrees that this Guaranty is a continuing guaranty and that the agreements, guaranties and waivers made by Guarantor herein, and Guarantor's obligations hereunder, are and shall at all times continue to be primary, absolute and unconditional.

3. Liability Unimpaired. Guarantor's liability hereunder shall in no way be limited or impaired by, and Guarantor hereby consents to and agrees to be bound by, any amendment or modification of the provisions of any of the Agreement, the Security Instrument and all other documents executed and delivered by Borrower, Acadia Investors, New Investor and/or their affiliates to Lenders and/or Administrative Agent in connection with the Credit Facility (the Agreement, the Security Instrument and such other documents hereinafter, sometimes, the "Credit Documents") or any other instrument made to or with Administrative Agent or Lenders by Borrower or any Person who succeeds to the ownership of all or any part of the Collateral. In addition, Guarantor's liability hereunder shall in no way be limited or impaired by (i) any extensions of time for performance required by or resulting from any of said documents, (ii) any sale, assignment or foreclosure of the Security Instrument or any sale or transfer of all or any part of the Collateral, (iii) any exculpatory provision in any of said instruments limiting Lenders' or Administrative Agent's recourse to all or any portion of the Collateral, or limiting Lenders' or Administrative Agent's rights to a deficiency judgment against Borrower, (iv) the release of Borrower or any other Person from performance or observance of any of the agreements, covenants, terms or conditions contained in any of said instruments by operation of law or otherwise, (v) the release or substitution in whole or in part of, or any impairment of any Lien on or security interest in, all or any portion of the Collateral, (vi) the failure to record the Security Instrument or file any UCC financing statements (or the improper recording or filing of any thereof) or to otherwise perfect, protect, secure or insure any security interest or lien given as security for the Credit Facility, (vii) the invalidity, irregularity or unenforceability, in whole or in part, of any of the Credit Documents, this Guaranty or any other instrument or agreement executed or delivered to Administrative Agent or Lenders in connection with the Credit Facility or (viii) any other action or circumstance whatsoever which constitutes, or might be construed to constitute, a legal or equitable discharge or defense of Borrower for its obligations under any of the Credit Documents or of Guarantor under this Guaranty; and, in any such case, whether with or without notice to, or consent of, Guarantor and with or without consideration.

4. Preservation of Credit Documents. Guarantor will cause Borrower to maintain and preserve the enforceability of the Credit Documents as the same may be modified and will not permit Borrower to take or to fail to take actions of any kind (other than payment), the taking of which or the failure to take which might be the basis for a claim that Guarantor has a defense to its obligations hereunder.

5. Indemnification; Payments; Certain Waivers. Guarantor shall indemnify Administrative Agent and Lenders against loss, cost or expense caused by the assertion by Borrower of any defense to its obligations under any of the Credit Documents or the assertion by Guarantor of any defense to its obligations hereunder. Guarantor (i) waives any right or claim of right to cause a marshalling of Borrower's or any other Person's assets or to cause Administrative Agent or Lenders to proceed against all or any portion of the Collateral or against any of the security for the obligations guaranteed hereby before proceeding against Guarantor or to proceed against Guarantor, if more than one, in any particular order, (ii) agrees that any payments required to be made by Guarantor hereunder shall become due on demand in accordance with the terms of the Note, Security Instrument and the Agreement immediately upon the happening of any default thereunder and without presentment to Borrower, demand for payment or protest, or notice of non-payment or protest and (iii) expressly waives and relinquishes all rights, remedies and defenses now or hereafter accorded by applicable Law to guarantors or sureties. Without limiting the generality of the foregoing, Guarantor hereby waives all rights (x) of subrogation, (y) to participate in any claim or remedy Lenders or Administrative Agent may now or hereafter have against Borrower or in all or any portion of the Collateral and (z) to contribution, indemnification, set-off, exoneration or reimbursement, whether from Borrower, Guarantor, or any other Person now or hereafter primarily or secondarily liable for any of Borrower's obligations to Lenders, and whether arising by contract or operation of law or otherwise by reason of Guarantor's execution, delivery or performance of this Guaranty.

6. Reinstatement. This Guaranty shall continue to be effective, or be reinstated automatically, as the case may be, if at any time payment, in whole or in part, of any of the obligations guaranteed hereby is rescinded or otherwise must be restored or returned by Administrative Agent or Lenders (whether as a preference, fraudulent conveyance or otherwise) upon or in connection with the insolvency, bankruptcy, dissolution, liquidation or reorganization of Borrower, Guarantor or any other Person, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, Borrower, Guarantor or any other Person or for a substantial part of Borrower's, Guarantor's or any of such other Person's property, as the case may be, or otherwise, all as though such payment had not been made. Guarantor further agrees that in the event any such payment is rescinded or must be restored or returned, all costs and expenses (including, without limitation, legal fees and expenses) incurred by or on behalf of Lenders and Administrative Agent in defending or enforcing such continuance or reinstatement, as the case may be, shall constitute costs of enforcement, the payment of which is guaranteed by Guarantor pursuant to paragraph 2 above and covered by Guarantor's indemnity pursuant to paragraph 5 above.

7. Formation and Existence; Power and Authority. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee and has full power and authority to execute, deliver and perform this Guaranty and any other Credit Document to which it is a party. Guarantor will preserve and maintain such legal existence and good standing. Guarantor hereby represents, warrants and covenants to Administrative Agent and Lenders that, at all times until New Investor has fully funded its Capital Commitment in accordance with the Stockholders Agreement and the Investor Acknowledgment, (i) Guarantor owns and will own 100% of the membership interests in Dore Capital Real Estate, LLC, a Delaware limited liability company ("GP"), (ii) GP is and shall remain the sole general partner in New Investor and (iii) Guarantor is and shall remain the sole limited partner in New Investor. Attached hereto as Exhibit A is a true and complete copy of the partnership certificate of New Investor, which is in full force and effect and has not been modified or amended in any way. Attached hereto as Exhibit B is a true and complete copy of the partnership agreement of New Investor, which is in full force and effect and has not been modified or amended in any way. Attached hereto as Exhibit C is a true and complete copy of the certificate of formation of GP, which is in full force and effect and has not been modified or amended in any way. Attached hereto as Exhibit D is a true and complete copy of the limited liability company agreement of GP, which is in full force and effect and has not been modified or amended in any way.

8. Litigation; Compliance with Judgments. There are no actions, suits or proceedings pending or threatened against or affecting Guarantor, at law or in equity, before or by any court, arbitrator or governmental authorities except actions, suits or proceedings which are fully covered by insurance or would, if adversely determined, not be likely to have a material adverse effect on Guarantor's business or financial condition. Guarantor is not in material default with respect to any order, writ, injunction, decree or demand of any court, arbitrator or governmental authorities.

9. No Conflicts. The consummation of the transactions contemplated hereby and the performance of this Guaranty and the other Credit Documents to which Guarantor is a party have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by-laws, partnership agreement or other instrument to which Guarantor is a party or by which Guarantor may be bound or affected.

10. Compliance with Laws. Guarantor is in compliance with, and the transactions contemplated by the Credit Documents and this Guaranty do not and will not violate any provision of, or require any filing, registration, consent or approval under, any federal, state or local law, rule, regulation, ordinance, order, writ, judgment, injunction, decree, determination or award (hereinafter, "Laws") presently in effect having applicability to Guarantor. Guarantor will comply promptly with all Laws now or hereafter in effect having applicability to it.

11. Accuracy of Information; Full Disclosure. Neither this Guaranty nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of Guarantor to Administrative Agent or Lenders in connection with the negotiation of the Credit Documents or the consummation of the transactions contemplated thereby, or required herein or by the other Credit Documents to be furnished by or on behalf of Guarantor, contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or in the Credit Documents not misleading; and there is no fact which Guarantor has not disclosed to Administrative Agent and Lenders in writing which materially affects adversely or, so far as Guarantor can now foresee, will materially affect adversely any of the Collateral or the business affairs or financial condition of Guarantor, or the ability of Guarantor to perform this Guaranty and the other Credit Documents to which Guarantor is a party.

12. Financial Statements. The most recent financial statements heretofore delivered by Guarantor to Administrative Agent and Lenders are true, correct and complete in all respects, have been prepared in accordance with generally accepted accounting practice and fairly present Guarantor's financial condition and results of operations as of the respective dates thereof and for the respective periods covered thereby; no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof.

13. Reporting Requirements. Guarantor covenants to Lenders and Administrative Agent that, so long as any Obligations remain outstanding under the Agreement, it will timely furnish directly to each Lender the statements and reports required of Guarantor under Investor Acknowledgment (without regard to the assumption of obligations thereunder by New Investor).

14. Intentionally Omitted.

15. Non-Waiver; Remedies Cumulative. No failure or delay on Administrative Agent's or any Lender's part in exercising any right, power or privilege under any of the Credit Documents, this Guaranty or any other document made to or with Lenders or Administrative Agent in connection with the Credit Facility shall operate as a waiver of any such privilege, power or right or shall be deemed to constitute Administrative Agent's or Lenders' acquiescence in any default by Borrower, Guarantor or any other obligor under any of said documents. A waiver by Lenders or Administrative Agent of any right or remedy under any of the Credit Documents, this Guaranty or any other document made to or with Lenders or Administrative Agent in connection with the Credit Facility on any one occasion shall not be construed as a bar to any right or remedy which Lenders or Administrative Agent otherwise would have on any future occasion. The rights and remedies provided in said documents are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by Law.

16. Liability Unaffected by Release. Any Guarantor, or any other party liable upon or in respect of any obligation hereby guaranteed, may be released without affecting the liability of any Guarantor not so released.

17. Transfers of Interests in Credit Facility. Guarantor recognizes that, subject to the provisions of Section 10.10 of the Agreement, any Lender may sell and transfer interests in the Credit Facility to one or more Participants and/or Assignees and that all documentation, financial statements, appraisals and other data, or copies thereof, relevant to Borrower, any Guarantor or the Credit Facility, may be exhibited to and retained by any such Participant or Assignee or prospective Participant or Assignee.

18. Separate Indemnity/Other Guaranty. Guarantor acknowledges and agrees that Lenders' and Administrative Agent's rights (and Guarantor's obligations) under this Guaranty shall be in addition to all of Lenders' and Administrative Agent's rights (and all of Guarantor's obligations) under any other guaranty or any indemnity agreement related to the Credit Facility.

19. ADDITIONAL WAIVERS IN THE EVENT OF ENFORCEMENT. GUARANTOR HEREBY EXPRESSLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY OR ON BEHALF OF LENDERS ON THIS GUARANTY OR ANY OTHER CREDIT DOCUMENT, ANY AND EVERY RIGHT GUARANTOR MAY HAVE TO (I) INJUNCTIVE RELIEF, (II) A TRIAL BY JURY, (III) INTERPOSE ANY COUNTERCLAIM THEREIN, OTHER THAN A COMPULSORY COUNTERCLAIM AND (IV) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING HEREIN CONTAINED SHALL PREVENT OR PROHIBIT GUARANTOR FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST LENDERS WITH RESPECT TO ANY ASSERTED CLAIM.

20. Governing Law; Submission to Jurisdiction. This Guaranty and the rights and obligations of Lenders and Guarantor hereunder shall in all respects be governed by, and construed and enforced in accordance with, the Laws of the State of New York (without giving effect to New York's principles of conflicts of law). Guarantor hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York (or any county in New York State where any portion of the Collateral is located) over any suit, action or proceeding arising out of or relating to this Guaranty or any other Credit Document. & #160;Guarantor irrevocably waives, to the fullest extent permitted by law, any objection that Guarantor may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Guarantor hereby further agrees and consents that, in addition to any methods of service of process provided for under applicable Law, all service of process in any such suit, action or proceeding in any New York State or Federal court sitting in The City of New York (or such other county in New York State) may be made by certified or registered mail, return receipt requested, directed to Guarantor at the address, and if more than one Guarantor, at their respective addresses, indicated below, and service so made shall be complete five (5) days after the same shall have been so mailed.

21. Severability. Any provision of this Guaranty, or the application thereof to any Person or circumstance, which, for any reason, in whole or in part, is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Guaranty (or the remaining portions of such provision) or the application thereof to any other Person or circumstance, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision (or portion thereof) or the application thereof to any Person or circumstance in any other jurisdiction.

22. Setoff. Guarantor agrees that, in addition to (and without limitation of) any right of setoff, bankers' lien or counterclaim any Lender may otherwise have, any Lender shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of Guarantor at any of such Lender's offices against any amount payable by Guarantor to such Lender hereunder or under any Credit Document which is not paid when due (regardless of whether such balances are then due to Guarantor), in which case it shall promptly notify Guarantor and Administrative Agent thereof; provided that such Lender's failure to give such notice shall not affect the validity thereof. Payments by Guarantor hereunder or under the Credit Documents shall be made without setoff or counterclaim.

23. Entire Agreement; Amendments. This Guaranty contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements or statements relating to such subject matter, and none of the terms and provisions hereof may be waived, amended or terminated except in accordance with Section 10.09 of the Agreement.

24. Successors and Assigns. This Guaranty shall be binding upon and shall inure to the benefit of Lenders and Administrative Agent and Guarantor and their respective heirs, personal representatives, successors and assigns. This Guaranty may be assigned by any Lender with respect to all or any portion of the obligations guaranteed hereby in accordance with the terms of the Agreement, and when so assigned Guarantor shall be liable under this Guaranty to the assignee(s) of the portion(s) of the obligations guaranteed hereby so assigned without in any manner affecting the liability of Guarantor hereunder to the assigning Lender(s) with respect to any portion of the obligations guaranteed hereby retained by the assigning Lender(s), or to any other Lender. Guarantor may not assign, transfer or delegate any of Guarantor's rights or obligations hereunder without the prior written consent of all Lenders (and any attempted such assignment, transfer or delegation without such consent shall be null and void).

25. Paragraph Headings. Any paragraph headings and captions in this Guaranty are for convenience only and shall not affect the interpretation or construction hereof.

Very truly yours,

THE VANDERBILT UNIVERSITY

By

Matthew W. Wright
Vice Chancellor for Investments

Address of Guarantor:

2100 West End Avenue, Suite 900
Nashville, Tennessee 37203
Attn: Vice Chancellor for Investments

This is to certify that this Guaranty was executed in my presence on the date hereof by the parties whose signatures appear above in the capacities indicated.

Notary Public

My Commission Expires:

-
- Exhibit A - Partnership Certificate of New Investor
 - Exhibit B - Partnership Agreement of New Investor
 - Exhibit C - Certificate of Formation of GP
 - Exhibit D - Limited Liability Company Agreement of GP

NOTE

\$40,000,000

New York, New York
March 3, 2010

For value received, ACADIA STRATEGIC OPPORTUNITY FUND II, LLC, a Delaware limited liability company ("Maker") hereby covenants and promises to pay to the order of BANK OF AMERICA, N.A. or its successors or assigns (collectively, "Lender"), at the principal office of BANK OF AMERICA, N.A. located at One Bryant Park, 35th Floor, New York, New York 10036 ("Administrative Agent") for the account of the Applicable Lending Office of Lender, the principal sum of Forty Million Dollars (\$40,000,000) or so much thereof as shall be advanced and remain unpaid pursuant to the Loan Agreement (as defined below), in lawful money of the United States and in immediately available funds, in accordance with the terms set forth in the Loan Agreement. Maker also covenants and promises to pay interest on the unpaid principal balance hereof, for the period such balance is outstanding, in like money, at said office for the account of said Applicable Lending Office, at the time and at a rate per annum as provided in the Loan Agreement. Any amount of principal hereof which is not paid when due, whether at stated maturity, by acceleration, or otherwise, shall bear interest from the date when due until said principal amount is paid in full, payable on demand, at the Default Rate.

This Note is one of the Notes referred to in the Third Amended and Restated Credit Agreement dated as of the date hereof (as the same may be amended or supplemented from time to time, the "Loan Agreement") among Maker, as Borrower, Acadia Realty Acquisition II, LLC, Acadia Investors II, Inc., the lenders named therein (including Lender), as Lenders, and Administrative Agent, as Administrative Agent for Lenders. All of the terms, conditions and provisions of the Loan Agreement are hereby incorporated by reference. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Loan Agreement.

The Loan Agreement contains, among other things, provisions for the prepayment of and acceleration of this Note upon the happening of certain stated events.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or any other court proceeding (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon default, Maker agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting or attempting to collect this Note, including reasonable attorneys' fees and expenses.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note shall be governed by the Laws of the State of New York (without giving effect to New York's principles of conflicts of law), provided that, as to the maximum lawful rate of interest which may be charged or collected, if the Laws applicable to Lender permit it to charge or collect a higher rate than the Laws of the State of New York, then such Law applicable to Lender shall apply to Lender under this Note.

Anything herein to the contrary notwithstanding, the obligations of Maker under this Note shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by Lender would be contrary to provisions of Law applicable to Lender limiting the maximum rate of interest that may be charged or collected by Lender.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the date first above written.

ACADIA STRATEGIC OPPORTUNITY FUND II, LLC,
a Delaware limited liability company

By: Acadia Realty Acquisition II, LLC, a Delaware limited liability
company, its managing member

By: Acadia Realty Limited Partnership,
its sole member

By: Acadia Realty Trust, its
general partner

By _____
Robert Masters
Senior Vice President

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a — 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
May 5, 2010

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a — 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Michael Nelsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and
Chief Financial Officer
May 5, 2010

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Acadia Realty Trust (the "Company") on Form 10-Q for the quarter ended March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth F. Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Kenneth F. Bernstein

Kenneth F. Bernstein
President and Chief Executive Officer
May 5, 2010

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Acadia Realty Trust (the "Company") on Form 10-Q for the quarter ended March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Nelsen, Sr. Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael Nelsen

Michael Nelsen
Senior Vice President and
Chief Financial Officer
May 5, 2010