NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP /DC/
Form 424B3
November 10, 2016

Rule 424 (b) (3)
Registration No. 333-199914

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities Offered | Maximum Aggregate Offering Price | Amount of Registration Fee(1)(2) |
|---|---|---|
| Senior Debt Securities | $9,850,000.00 | $1,141.62 |

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

(2) The amount in this column has been transmitted to the SEC in connection with the securities offered by means of this pricing supplement.

TRADE DATE: 11/09/2016
PRICING SUPPLEMENT NO. 7214
DATED November 9, 2016
TO PROSPECTUS SUPPLEMENTAL DATED November 10, 2014
AND BASE PROSPECTUS DATED November 6, 2014

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Medium-Term Notes, Series D
Due Nine Months or More from Date of Issue

| | |
|---|---|
| Principal Amount: | $9,850,000.00 |
| Issue Price: | 100% of Principal Amount |
| Original Issue Date: | 11/15/16 |
| Maturity Date: | 09/15/17 |
| Interest Rate: | 1.41% per annum |

| | |
|---|---|
| Regular Record Dates: | Each January 1 and July 1 |
| Interest Payment Dates: | Each January 15 and July 15 |
| Redemption Date: | None |
| Agents' Commission: | None |
| Form of Note: (Book-Entry or Certificated) | Certificated |
| Other Terms: | None |

Medium-Term Notes, Series D may be issued by the Company in an unlimited aggregate principal amount.

Validity of the Medium-Term Note

In the opinion of Hogan Lovells US LLP, as counsel to the Company, when the notes offered by this pricing supplement have been executed and issued by the Company and authenticated by the trustee pursuant to the indenture, and delivered against payment as contemplated herein, such notes will constitute valid and binding obligations of the Company, subject to bankruptcy, insolvency, reorganization, receivership, moratorium and other laws affecting creditors' rights (including, without limitation, the effect of statutory and other law regarding fraudulent conveyances, fraudulent transfers and preferential transfers), and by the exercise of judicial discretion and the application of principles of equity, good faith, fair dealing, reasonableness, conscionability and materiality (regardless of whether the applicable agreements are considered in a proceeding in equity or at law).

This opinion is based as to matters of law solely on applicable provisions of the following, as currently in effect: (i) the

District of Columbia Cooperative Association
Act, as amended (the “Cooperative Association
Act”) and (ii) the laws of
the State of New York (but not including any
laws, statutes, ordinances, administrative
decisions, rules or regulations of
any political subdivision below the state level). In
addition, this opinion is subject to customary
assumptions about the
trustee’s authorization, execution and delivery of
the indenture and its authentication of the notes
and the validity,
binding nature and enforceability of the indenture
with respect to the trustee, all as stated in the
letter of such counsel
dated November 10, 2014, which has been filed
as an exhibit to a Current Report on Form 8-K by
the Company on
November 10, 2014.
ical-align:top;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;">

PART III



PART IV

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend” or “project” or the negative thereof or other var thereon or comparable terminology. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to those set forth under the headings “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in this Form 10-K. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

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PART I
ITEM 1. BUSINESS.
GENERAL
Acadia Realty Trust (the “Trust”) was formed on March 4, 1993 as a Maryland real estate investment trust (“REIT”). All references to “Acadia,” “we,” “us,” “our,” and “Company” refer to the Trust and its consolidated subsidiaries. We are a fully integrated REIT focused on the ownership, acquisition, redevelopment, and management of high-quality retail properties and urban/infill mixed-use properties with a strong retail component located primarily in high-barrier-to-entry, supply constrained, densely-populated metropolitan areas in the United States along the East Coast and in Chicago. We currently own, or have an ownership interest in these properties through our Core Portfolio (as defined in Item 2. of this Form 10-K) and our Opportunity Funds (as defined in Item 1 of this Form 10-K). We also have private equity investments in other retail real estate related opportunities in which we have a minority equity interest.
All of our assets are held by, and all of our operations are conducted through, Acadia Realty Limited Partnership (the “Operating Partnership”) and entities in which the Operating Partnership owns an interest. As of December 31, 2012, 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 that contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (“Common OP Units” or “Preferred OP Units”, respectively, and collectively, “OP Units”) and employees who have been awarded restricted Common OP Units ("LTIP Units") as long-term incentive compensation. Limited partners holding Common OP and LTIP Units are generally entitled to exchange their units on a one-for-one basis for our common shares of beneficial interest of the Trust (“Common Shares”). This structure is referred to as an umbrella partnership REIT, or “UPREIT”.
BUSINESS OBJECTIVES AND STRATEGIES
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 high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas. Our goal is to create value through accretive redevelopment and re-anchoring activities within our existing portfolio and grow this platform through the acquisition of high-quality assets that have the long-term potential to outperform the asset class.

- Generate additional external growth through an opportunistic yet disciplined acquisition program within our Opportunity Funds (as defined below). We target transactions with high inherent opportunity for the creation of additional value through:

  value-add investments in high-quality urban and/or street retail properties with re-tenanting or repositioning opportunities,
  opportunistic acquisitions of well-located real-estate anchored by distressed retailers or by motivated sellers and opportunistic purchases of debt which may include restructuring.

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.

- Maintain a strong and flexible balance sheet through conservative financial practices while ensuring access to sufficient capital to fund future growth.

Investment Strategy — Generate External Growth through our Dual Platforms; Core Portfolio and Opportunity Funds
The requirements that acquisitions be accretive on a long-term basis based on our cost of capital, as well as increase the overall Core Portfolio quality and value, are key strategic considerations to the growth of our Core Portfolio. As

such, we constantly evaluate the blended cost of equity and debt and adjust the amount of acquisition activity to align the level of investment activity with capital flows.

Given the growing importance of technology and e-commerce, many of our retail tenants are appropriately focused on multi-channel sales and how to best utilize e-commerce initiatives to drive sales at their stores. In light of these initiatives, we have found retailers are becoming more selective as to the location, size and format of their next-generation stores and are focused on dense, high-traffic retail corridors, where they can utilize smaller and more productive formats closer to their shopping population. In addition to retailer multi-channeling initiatives, we also believe that retailers continue to recognize that many of the nation's urban markets are under-served from a retail standpoint, and we have capitalized on this situation by investing in redevelopment projects in dense urban areas where retail tenant demand has effectively surpassed the supply of available sites. Accordingly, our focus for Core Portfolio and Opportunity Fund acquisitions is on those properties which we believe will not only remain relevant to our tenants, but become even more so in the future. In connection with our Core Portfolio acquisition activity, we may also engage in discussions with public and private entities regarding business combinations.

In addition to our Core Portfolio investments in real estate assets, we have also capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by establishing discretionary opportunity funds. Our opportunity fund platform is an investment vehicle where the Operating Partnership invests, along with outside institutional investors, including, but not limited to, endowments, foundations, pension funds, and investment management companies, in primarily opportunistic and value-add retail real estate. To date, we have launched four opportunity funds ("Opportunity Funds"); Acadia Strategic Opportunity Fund, LP ("Fund I"), Acadia Strategic Opportunity Fund II, LLC ("Fund II"), Acadia Strategic Opportunity Fund III LLC ("Fund III") and Acadia Strategic Opportunity Fund IV LLC ("Fund IV"). Due to the level of our control, we consolidate these Opportunity Funds for financial reporting purposes. The Opportunity Funds also include investments in operating companies through Acadia Mervyn Investors I, LLC ("Mervyns I"), Acadia Mervyn Investors II, LLC ("Mervyns II") and Fund II, all on a non-recourse basis. These investments comprise and are referred to as the Company's Retailer Controlled Property Initiative ("RCP Venture").

The Operating Partnership is the sole general partner or managing member of the Opportunity Funds and earns fees or priority distributions for asset management, property management, construction, redevelopment, leasing and legal services. Cash flows from the Opportunity Funds are distributed pro-rata to their respective partners and members (including the Operating Partnership) until each receives a certain cumulative return ("Preferred Return"), and the return of all capital contributions. Thereafter, remaining cash flow is distributed 20% to the Operating Partnership ("Promote") and 80% to the partners or members (including the Operating Partnership).

Reference is made to Note 1 in the Notes to Consolidated Financial Statements, which begin on page F-1 of this Form 10-K ("Notes to Consolidated Financial Statements"), for a detailed discussion of the Opportunity Funds and RCP Venture.

Capital Strategy — Balance Sheet Focus and Access to Capital

Our primary capital objective is to maintain a strong and flexible balance sheet through conservative financial practices, including a moderate use of leverage, while ensuring access to sufficient capital to fund future growth. We intend to continue financing acquisitions and property redevelopment with sources of capital determined by management to be the most appropriate based on, among other factors, availability in the current capital markets, pricing and other commercial and financial terms. The sources of capital may include the issuance of public equity, unsecured debt, mortgage and construction loans, and other capital alternatives including the issuance of OP Units. We manage our interest rate risk primarily through the use of fixed rate debt and, where we use variable rate debt, we use certain derivative instruments, including London Interbank Offered Rate ("LIBOR") swap agreements and interest rate caps as discussed further in Item 7A. of this Form 10-K.

During January 2012, we established an at-the-market ("ATM") equity program with an aggregate offering of up to $75.0 million of gross proceeds from the sale of Common Shares. Under this program, we issued approximately 3.3 million Common Shares which generated net proceeds of $73.7 million.

During August 2012, we established a new ATM equity program with an additional aggregate offering of up to $125.0 million of gross proceeds from the sale of Common Shares. Through December 31, 2012, we issued approximately 2.8 million Common Shares which generated net proceeds of $67.8 million. We intend to use the future net proceeds of this or potential future ATM offerings primarily to fund acquisitions directly in the Core Portfolio and through its capital contributions to the Opportunity Funds.

During October 2012, we issued approximately 3.5 million Common Shares in a separate follow-on offering, for $86.9 million. Net proceeds after expenses were approximately $85.8 million. The proceeds were primarily used for acquisitions, including our pro-rata share of acquisitions in Fund IV and for general corporate purposes.

During January 2013, we closed on a new unsecured revolving credit facility of up to $150 million, which matures on January 31, 2016 with an additional one year extension option. As of February 27, 2013, no proceeds have been drawn on this facility.

Operating Strategy — Experienced Management Team with Proven Track Record

Our senior management team has decades of experience in the real estate industry. We have capitalized on our expertise in the acquisition, redevelopment, leasing and management of retail real estate by creating value through property redevelopment, re-anchoring and establishing joint ventures, such as the Opportunity Funds, in which we earn, in addition to a return on our equity interest, Promotes, fees and priority distributions.

Operating functions such as leasing, property management, construction, finance and legal (collectively, the "Operating Departments") are generally provided by our personnel, providing for a vertically integrated operating platform. By incorporating the Operating Departments in the acquisition process, acquisitions are appropriately priced giving effect to each asset's specific risks and returns and transition time is minimized allowing management to immediately execute on its strategic plan for each asset.

Our Core Portfolio consists primarily of urban/street retail properties and neighborhood and community shopping centers located in high barrier-to-entry supply constrained markets. As we typically hold our Core Portfolio properties for long-term investment, we periodically review the existing portfolio and implement programs to renovate and modernize targeted properties to enhance their market position. This in turn strengthens the competitive position of the leasing program to attract and retain quality tenants, increasing cash flow, and consequently, property values. From time to time, we also identify certain properties for disposition and redeploy the capital for acquisitions and for the repositioning of existing centers with greater potential for capital appreciation.

INVESTING ACTIVITIES

Core Portfolio

See Item 2. PROPERTIES for the definition of our Core Portfolio.

For the year ended December 31, 2012, we continued to execute on our strategy of owning a superior Core Portfolio by acquiring, through our Operating Partnership, high-quality, street/urban and suburban retail assets located in densely populated areas for an aggregate purchase price of $224.3 million. Reference is made to Note 2 in the Notes to Consolidated Financial Statements, for a detailed discussion of these acquisitions.

In addition, as of December 31, 2012 we have a current acquisition pipeline of $86.6 million under contract, which is subject to certain closing conditions and as such, no assurance can be given that closing will be successfully completed. See Item 2. PROPERTIES for a description of the other properties in our Core Portfolio.

Since 2010, we have sold one Core Portfolio asset, the Ledgewood Mall. This 517,151 square foot center located in Ledgewood, New Jersey was sold during May 2011 for $37.0 million.

We also make investments in first mortgages and other notes receivable collateralized by real estate, either directly or through entities having an ownership interest therein. During 2012, we invested $43.3 million in first mortgage notes and $46.9 million in other notes receivable. Reference is made to Note 5 in the Notes to Consolidated Financial Statements, for a detailed discussion of our notes receivable and other real estate related investments.

Opportunity Funds

Acquisitions

Fund III

During 2012, Fund III acquired properties for an aggregate purchase price of $108.0 million. Reference is made to Note 2 in the Notes to Consolidated Financial Statements, for a detailed discussion of these acquisitions.

Fund IV

During 2012, Fund IV acquired its first properties for an aggregate purchase price of $151.2 million. Reference is made to Note 2 in the Notes to Consolidated Financial Statements, for a detailed discussion of these acquisitions.

Dispositions

Self-Storage Portfolio

During February 2008, Fund III, in conjunction with Storage Post, acquired a portfolio of eleven self-storage properties from Storage Post's existing institutional investors for approximately $174.0 million. In addition, we, through Fund II, developed three self-storage properties. The 14 self-storage property portfolio, located throughout New York and New Jersey, totaled approximately 1.1 million net rentable square feet, and was operating at various stages of stabilization. During the fourth quarter of 2012, we sold 12 of the 14 properties in this portfolio for an aggregate sales price of $261.6 million. The remaining two properties are under contract, which we anticipate closing during 2013.

Other Dispositions

During 2012, Funds I, II and III sold four additional shopping centers for an aggregate sales price of $184.1 million. Reference is made to Note 2 in the Notes to Consolidated Financial Statements, for a detailed discussion of these dispositions.

Redevelopment Activities

As part of our Opportunity Fund strategy, we invest in real estate assets that require significant redevelopment. As of December 31, 2012, the Company had eight redevelopment projects, one of which is under construction and seven are in the design phase as follows:

(dollars in millions)

| Property | Owner | Costs to date | Anticipated additional costs (1) | Status | Square feet upon completion | Anticipated completion dates |
|---|---|---|---|---|---|---|
| City Point (2) | Fund II | $142.9 | $107.1 - $197.1 | Under construction | 675,000 | 2015 |
| Sherman Plaza (2) | Fund II | 34.7 | TBD | In design | TBD | TBD |
| Sheepshead Bay | Fund III | 22.8 | TBD | In design | TBD | TBD |
| 723 N. Lincoln Lane | Fund III | 6.7 | TBD | In design | TBD | TBD |
| Cortlandt Crossing | Fund III | 11.2 | 35.8 - 44.8 | In design | 150,000 - 170,000 | 2016 |
| 3104 M Street NW | Fund III | 3.0 | 4.0 - 5.5 | In design | 10,000 | 2014 |
| Broad Hollow Commons | Fund III | 11.1 | 38.9 - 48.9 | In design | 180,000 - 200,000 | 2016 |
| 210 Bowery | Fund IV | 7.5 | 4.0 - 4.5 | In design | 10,000 | 2015 |
| Total | | $239.9 | | | | |

Notes:

TBD – To be determined

(1) Anticipated additional costs are estimated ranges for completing the projects and include costs for tenant improvements and leasing commissions.

(2) These projects are being redeveloped by Acadia Urban Development LLC ("Acadia Urban Development"), or subsidiaries thereof, in connection with Fund II's New York Urban/Infill Redevelopment Initiative. See Item 7. of this Form 10-K for further information on the Acadia Urban Development joint venture as detailed in "Liquidity and Capital Resources – New York Urban/Infill Redevelopment Initiative."

Under Construction

CityPoint — During June of 2007, Acadia-Washington Square Albee and an unaffiliated joint venture partner, California Urban Investment Partners, LLC ("CUIP") purchased the leasehold interests in The Gallery at Fulton Street in downtown Brooklyn for approximately $115.0 million, with an option to purchase the fee position, which is owned by the City of New York, at a later date. On June 30, 2010, Acadia-Washington Square Albee acquired all of CUIP's interest in CityPoint for total consideration of $9.2 million and the assumption of CUIP's share of debt of $19.6 million. The redevelopment will proceed in three phases. Construction is completed on Phase 1, a five-story retail building of approximately 50,000 square feet. Phase 2, which is currently under construction, will consist of approximately 625,000 square feet of additional retail when completed. Phase 2 will also contain an affordable and market-rate residential component. Phase 3 is anticipated to be a stand-alone mixed use, but primarily residential building, of approximately 650,000 square feet. Completion of the construction of this project is anticipated to be during 2015.

RCP Venture

During 2004, through Funds I and II, or affiliates thereof, we entered into an association, known as the RCP Venture, with Klaff Realty, L.P. ("Klaff") and Lubert-Adler Management, Inc. ("Lubert-Adler") for the purpose of making investments in surplus or underutilized properties owned by retailers. Mervyns I and II along with Fund II have invested a total of $62.2 million in the RCP Venture to date on a non-recourse basis. Reference is made to Note 4 in the Notes to Consolidated Financial Statements, for a detailed discussion of the RCP Venture.

While we are primarily a passive partner in the investments made through the RCP Venture, historically we have provided our services in reviewing potential acquisitions and operating and redevelopment assistance in areas where we have both a presence and expertise. In the future, we may seek to opportunistically invest either on our own, with the RCP Venture or with other partners in similar investments, which may include:

- Investment in operating retailers to control their real estate through private equity joint ventures
- Collaboration with financially healthy retailers to create value from their surplus real estate
- Investment in properties, designation rights or other control of real estate or leases associated with retailers in bankruptcy
- Completion of sale-leasebacks with retailers in need of capital

Mervyns Department Stores

In September 2004, we made our first RCP Venture investment. Through Mervyns I and Mervyns II, we invested in a consortium to acquire 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, during November 2007, we sold our interest in, and as a result, have no further investment in OPCO. During 2012, a legal proceeding relating to the disposition of OPCO was settled. Reference is made to Item 3. Part 1 of this Form 10-K for a detailed description of this settlement.

Through December 31, 2012, we, through Mervyns I and Mervyns II, made additional investments in locations that are separate from these original investments ("Add-On Investments") in Mervyns.

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. In addition, we have since made Add-On Investments in Albertson's.

Other RCP Investments

We have also made other RCP investments in Shopko, Marsh, Rex Stores and in Add-On Investments in Marsh. Reference is made to Note 4 in the Notes to Consolidated Financial Statements, for a detailed discussion of these investments.

ENVIRONMENTAL LAWS

For information relating to environmental laws that may have an impact on our business, please see "Item 1A. Risk Factors - Possible liability relating to environmental matters."

COMPETITION

There are numerous entities that compete with us in seeking properties for acquisition and tenants that will lease space in our properties. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. Our properties compete for tenants with similar properties primarily on the basis of location, total occupancy costs (including base rent and operating expenses) and the design and condition of the improvements.

FINANCIAL INFORMATION ABOUT MARKET SEGMENTS

We have four reportable segments: Core Portfolio, Opportunity Funds, Notes Receivable and Other. Notes Receivable consists of our notes receivable and related interest income. Other primarily consists 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 set forth in Note 1 in the Notes to Consolidated Financial Statements. We evaluate property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. Investments in our Core Portfolio are typically held long-term. Given the contemplated finite life of our Opportunity Funds, these investments are typically held for shorter terms. Fees earned by us as general partner or managing member of the Opportunity Funds are eliminated in our Consolidated Financial Statements. See Note 3 in the Notes to Consolidated Financial Statements, for information regarding, among other things, revenues from external

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customers, a measure of profit and loss and total assets with respect to each of our segments. Our profits and losses for both our business and each of our segments are not seasonal.

CORPORATE HEADQUARTERS AND EMPLOYEES

Our executive office is located at 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605, and our telephone number is (914) 288-8100. As of December 31, 2012, we had 126 employees, of which 101 were located at our executive office and 25 were located at regional property management offices. None of our employees are covered by collective bargaining agreements. Management believes that its relationship with employees is good.

COMPANY WEBSITE

All of our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available at no cost at our website at www.acadiarealty.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. These filings can also be accessed through the Securities and Exchange Commission’s website at www.sec.gov. Alternatively, we will provide paper copies of our filings at no cost upon request. If you wish to receive a copy of the Form 10-K, you may contact Robert Masters, Corporate Secretary, at Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, NY 10605. You may also call (914) 288-8100 to request a copy of the Form 10-K. Information included or referred to on our website is not incorporated by reference in or otherwise a part of this Form 10-K.

CODE OF ETHICS AND WHISTLEBLOWER POLICIES

The Board of Trustees adopted a Code of Business Conduct and Ethics applicable to all employees, as well as a “Whistleblower Policy.” Copies of these documents are available in the Investor Information section of our website. We intend to disclose future amendments to, or waivers from (with respect to our senior executive financial officers), our Code of Ethics in the Investor Information section of our website within four business days following the date of such amendment or waiver.

ITEM 1A. RISK FACTORS.

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

We rely on revenues derived from major tenants.

We derive significant revenues from certain anchor tenants that occupy space in more than one center. We could be adversely affected in the event of the bankruptcy or insolvency of, or a downturn in the business of, any of our major tenants, or in the event that any such tenant does not renew its leases as they expire or renews such leases at lower rental rates. Vacated anchor space not only would reduce rental revenues, but if not re-tenanted at the same rental rates could adversely affect the entire shopping center because of the loss of the departed anchor tenant's customer drawing power. Loss of customer drawing power also can occur through the exercise of the right, that most anchors have, to vacate and prevent re-tenanting by paying rent for the balance of the lease term (“going dark”) as would the departure of a “shadow” anchor tenant that owns its own property. In addition, in the event that certain major tenants cease to occupy a property, such an action may result in a significant number of other tenants having the right to terminate their leases, or pay a reduced rent based on a percentage of the tenant's sales, at the affected property, which could adversely affect the future income from such property (“co-tenancy”). See “Item 2. Properties-Major Tenants” in this Annual Report on Form 10-K for quantified information with respect to the percentage of our minimum rents received from major tenants.

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

Upon the expiration of current leases for space located in our properties, we may not be able to re-let all or a portion of that space, or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms. If we are unable to re-let promptly all or a substantial portion of the space located in our properties or if the rental rates we receive upon re-letting are significantly lower than current rates, our net income and ability to make expected distributions to our shareholders will be adversely affected due to the resulting reduction in revenues.

There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases. See “Item 2. Properties - Lease Expirations” in this Annual Report on Form 10-K for additional information as to the scheduled lease expirations in our portfolio.

The bankruptcy of, or a downturn in the business of, any of our major tenants or a significant number of our smaller tenants may adversely affect our cash flows and property values.

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

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

Although currently none of our critical tenants are in bankruptcy, experience shows that there can be no assurance that one or more of our major tenants will be immune from bankruptcy.

Internet sales can have an impact on our business.

The use of the internet by consumers continues to gain in popularity. The migration toward internet sales is likely to continue. This increase in internet sales could result in a downturn in the business of our current tenants and could affect the way future tenants lease space.

While we devote considerable effort and resources to analyze and respond to tenant trends, preferences and consumer spending patterns, we cannot predict with certainty what future tenants will want, what future retail spaces will look like and how much revenue will be generated at traditional "bricks and mortar" locations. If we are unable to anticipate and respond promptly to trends in the market due to the illiquid nature of real estate (See the Risk Factor entitled, "Our ability to change our portfolio is limited because real estate investments are illiquid" below), our occupancy levels and financial results could suffer.

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.

Our operations and performance depend on general economic conditions, including the health of the consumer. The U.S. economy's recently experienced financial downturn, included a decline in consumer spending, credit tightening and high unemployment.

The current economic environment also had, and continues to have, an impact on the global credit markets. While we currently believe we have adequate sources of liquidity, there can be no assurance that we will be able to obtain mortgage loans to purchase additional properties, obtain financing to complete current redevelopment projects, or successfully refinance our properties as loans become due. To the extent that the availability of credit is limited, it would also adversely impact our notes receivable as counterparties may not be able to obtain the financing required to repay the loans upon maturity.

Political and economic uncertainty could have an adverse effect on us.

We cannot predict how current political and economic uncertainty, including uncertainty related to taxation, will affect our critical tenants, joint venture partners, lenders, financial institutions and general economic conditions, including the health and confidence of the consumer and the volatility of the stock market.

Political and economic uncertainty poses a risk to the Company in that it may cause consumers to postpone discretionary spending in response to tighter credit, reduced consumer confidence and other macroeconomic factors affecting consumer spending behavior, resulting in a downturn in the business of our tenants. In the event current political and economic uncertainty results in financial turmoil affecting the banking system and financial markets or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed income, credit, currency and equity markets. Each of these could have an adverse effect on our business, financial condition and operating results.

There are risks relating to investments in real estate.

Real property investments are subject to multiple risks. Real estate values are affected by a number of factors, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the quality and philosophy of management, competition from other available space, the ability of the owner to provide adequate maintenance and insurance and to control variable operating costs. Shopping centers, in particular, may be affected by changing perceptions of retailers or shoppers regarding the safety, convenience and attractiveness of the shopping center and by the overall climate for the retail industry. Real estate values are also affected by such factors as government regulations, interest rate levels, the availability of financing and potential liability under, and changes in, environmental, zoning, tax and other laws.

A significant portion of our income is derived from rental income from real property. Our income and cash flow would be adversely affected if we were unable to rent our vacant space to viable tenants on economically favorable terms. In the event of default by a tenant, we may experience delays in enforcing, as well as incur substantial costs to enforce, our rights as a landlord. In addition, certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced even though there may be a reduction in income from the investment.

Our ability to change our portfolio is limited because real estate investments are illiquid.

Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions is limited. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. We could change our investment, disposition and financing policies without a vote of our shareholders.

We could become highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements, which could adversely affect our financial condition and results of operations and our ability to pay distributions. In addition, the viability of the interest rate hedges we use is subject to the strength of the counterparties.

We have incurred, and expect to continue to incur, indebtedness to support our activities. Neither our Declaration of Trust nor any policy statement formally adopted by our Board of Trustees limits either the total amount of indebtedness or the specified percentage of indebtedness that we may incur. Accordingly, we could become more highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements, which could adversely affect our financial condition and results of operations and our ability to make distributions.

Interest expense on our variable rate debt as of December 31, 2012 would increase by $2.9 million annually for a 100 basis point increase in interest rates. 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, primarily through interest rate swaps but can use other means.

We enter into interest rate hedging transactions, including interest rate swaps and cap agreements, with counterparties, generally, the same lenders who made the loan in question. There can be no guarantee that the future financial condition of these counterparties will enable them to fulfill their obligations under these agreements.

Competition may adversely affect our ability to purchase properties and to attract and retain tenants.

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties than we wish to pay. In addition, retailers at our properties (both in our Core Portfolio and in the portfolios of the Opportunity Funds) face increasing competition from outlet malls, discount shopping clubs, internet commerce, direct mail and telemarketing, which could (i) reduce rents payable to us and (ii) reduce our ability to attract and retain tenants at our properties leading to increased vacancy rates at our properties.

We could be adversely affected by poor market conditions where our properties are geographically concentrated.

Our performance depends on the economic conditions in markets in which our properties are concentrated. We have significant exposure to the greater New York region, from which we derive 33% of the annual base rents within our Core Portfolio and 61% of annual base rents within our Opportunity Funds. Our operating results could be adversely affected if market conditions, such as an oversupply of space or a reduction in demand for real estate, in this area occurs.

We have pursued, and may in the future continue to pursue extensive growth opportunities, which may result in significant demands on our operational, administrative and financial resources.

We are pursuing extensive growth opportunities. This expansion places significant demands on our operational, administrative and financial resources. The continued growth of our real estate portfolio can be expected to continue to place a significant strain on our resources. Our future performance will depend in part on our ability to successfully attract and retain qualified management personnel to manage the growth and operations of our business. In addition, the acquired properties may fail to operate at expected levels due to the numerous factors that may affect the value of real estate. There can be no assurance that we will have sufficient resources to identify and manage the properties.

Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.
Our earnings growth strategy is based on the acquisition and redevelopment of additional properties, including acquisitions of core properties through our Operating Partnership and our high return investment programs through Acadia Strategic Opportunity Fund IV LLC (“Fund IV“). The consummation of any future acquisitions will be subject to satisfactory completion of our extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. We cannot be sure that we will be able to implement our strategy because we may have difficulty finding new properties, obtaining necessary entitlements, negotiating with new or existing tenants or securing acceptable financing.
Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. In the context of our business plan, “redevelopment” generally means an expansion or renovation of an existing property. Redevelopment is subject to numerous risks, including risks of construction delays, cost overruns or uncontrollable events that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and incurring redevelopment costs in connection with projects that are not pursued to completion.
A component of our growth strategy is through private-equity type investments made through our RCP Venture. These include investments in operating retailers. The inability of the retailers to operate profitably would have an adverse impact on income realized from these investments. Through our investments in joint ventures we have also invested in operating businesses that have operational risk in addition to the risks associated with real estate investments, including among other risks, human capital issues, adequate supply of product and material, and merchandising issues.
We operate through a partnership structure, which could have an adverse effect on our ability to manage our assets.
Our primary property-owning vehicle is the Operating Partnership, of which we are the general partner. Our acquisition of properties through the Operating Partnership in exchange for interests in the Operating Partnership may permit certain tax deferral advantages to limited partners who contribute properties to the Operating Partnership. Since properties contributed to the Operating Partnership may have unrealized gains attributable to the differences between the fair market value and adjusted tax basis in such properties prior to contribution, the sale of such properties could cause adverse tax consequences to the limited partners who contributed such properties. Although we, as the general partner of the Operating Partnership, generally have no obligation to consider the tax consequences of our actions to any limited partner, we own several properties subject to material restrictions designed to minimize the adverse tax consequences to the limited partners who contributed such properties. Such restrictions may result in significantly reduced flexibility to manage some of our assets.
Exclusivity obligation to our Opportunity Funds.
Under the terms of Fund IV, our primary goal is to seek investments for Fund IV, subject to certain exceptions. We may only pursue opportunities to acquire retail properties directly through the Operating Partnership if (i) the ownership of the acquisition opportunity by Fund IV would create a material conflict of interest for us; (ii) we require the acquisition opportunity for a “like-kind” exchange; (iii) the consideration payable for the acquisition opportunity is our Common Shares, OP Units or other securities or (iv) the investment is outside the parameters of our investment goals for Fund IV (which, in general, seeks more opportunistic level returns). As a result, we may not be able to make attractive acquisitions directly and instead may only receive a minority interest in such acquisitions through Fund IV.
Risks of joint ventures.
Partnership or joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partner or co-venturer might become bankrupt, and that our partner or co-venturer may take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Other risks of joint venture investments include impasse on decisions, such as a sale, because neither we nor a joint venture partner would have full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of our funds that may be invested in joint ventures. Additionally, our partners or co-venturers may engage in malfeasance in spite of our efforts to perform a high level of due diligence on them. Such acts may or may not be covered by insurance. Finally, partners and co-venturers may engage in illegal activities which may jeopardize an investment and/or subject us to reputational risk.

Any disputes that may arise between joint venture partners and us may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with joint venture partners might result in subjecting properties owned by the joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party joint venture partners.

During 2012, 2011 and 2010, our Fund I and Mervyns I joint ventures provided Promote income. There can be no assurance that the joint ventures will continue to operate profitably and thus provide additional Promote income in the future. These factors could limit the return that we receive from such investments or cause our cash flows to be lower than our estimates. In addition, a partner or co-venturer may not have access to sufficient capital to satisfy its funding obligations to the joint venture.

Market factors could have an adverse effect on our share price and our ability to access the public equity markets.

One of the factors that may influence the trading price of our Common Shares is the annual dividend rate on our Common Shares as a percentage of its market price. An increase in market interest rates may lead purchasers of our Common Shares to seek a higher annual dividend rate, which could adversely affect the market price of our Common Shares. A decline in our share price, as a result of this or other market factors, could unfavorably impact our ability to raise additional equity in the public markets.

The loss of a key executive officer could have an adverse effect on us.

Our success depends on the contribution of key management members. The loss of the services of Kenneth F. Bernstein, President and Chief Executive Officer, or other key executive-level employees could have a material adverse effect on our results of operations. We have obtained key-man life insurance for Mr. Bernstein. In addition, we have entered into an employment agreement with Mr. Bernstein; however, it can be terminated by Mr. Bernstein in his discretion. We have not entered into employment agreements with other key executive-level employees.

Our Board of Trustees may change our investment policy without shareholder approval.

Our Board of Trustees may determine to change our investment and financing policies, our growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. Although our Board of Trustees has no present intention to revise or amend our strategies and policies, it may do so at any time without a vote by our shareholders. Accordingly, the results of decisions made by our Board of Trustees and implemented by management may or may not serve the interests of all of our shareholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

Distribution requirements imposed by law limit our operating flexibility.

To maintain our status as a REIT for federal income tax purposes, we are generally required to distribute to our shareholders at least 90% of our taxable income for each calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85% of our ordinary income for that year; (ii) 95% of our capital gain net income for that year and; (iii) 100% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Internal Revenue Code and to minimize exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income as well as required debt amortization payments and the capitalization of certain expenses could require us to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT. The distribution requirements also severely limit our ability to retain earnings to acquire and improve properties or retire outstanding debt.

There can be no assurance we have qualified or will remain qualified as a REIT for federal income tax purposes.

We believe that we have consistently met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code, for which there are only limited judicial or administrative interpretations. No assurance can be given that we have qualified or will remain qualified as a REIT. The Internal Revenue Code provisions and income tax regulations applicable to REITs differ significantly from those applicable to other corporations. The determination of various factual matters and circumstances not entirely within our control can potentially affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that future legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or adversely affect the federal income tax consequences of such qualification. Under current law, if we fail to qualify as a REIT, we would not be allowed a deduction for dividends paid to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available for distribution to our shareholders would be significantly reduced for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of our shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

Limits on ownership of our capital shares.

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

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

Concentration of ownership by certain investors.

As of December 31, 2012, seven institutional shareholders own 5% or more individually, and 62.1% in the aggregate, of our Common Shares. A significant concentration of ownership may allow an investor or a group of investors to exert a greater influence over our management and affairs and may have the effect of delaying, deferring or preventing a change in control of us.

Restrictions on a potential change of control.

Our Board of Trustees is authorized by our Declaration of Trust to establish and issue one or more series of preferred shares without shareholder approval. We have not established any series of preferred shares. However, the establishment and issuance of a series of preferred shares could make more difficult a change of control of us that could be in the best interests of the shareholders.

In addition, we have entered into an employment agreement with our Chief Executive Officer and severance agreements are in place with our executives which provide that, upon the occurrence of a change in control of us and either the termination of their employment without cause (as defined) or their resignation for good reason (as defined), those executive officers would be entitled to certain termination or severance payments made by us (which may include a lump sum payment equal to defined percentages of annual salary and prior years' average bonuses, paid in accordance with the terms and conditions of the respective agreement), which could deter a change of control of us that could be in the best interests of the shareholders.

Certain provisions of Maryland law may limit the ability of a third party to acquire control of our Company.

Under the Maryland General Corporation Law, as amended, which we refer to as the “MGCL,” as applicable to REITs, certain “business combinations,” including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland REIT and any person who beneficially owns 10% or more of the voting power of the trust's outstanding voting shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding shares of beneficial interest of the trust, which we refer to as an “interested shareholder,” or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any such business combination must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the trust and (2) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected or held by an affiliate or associate of the interested shareholder, unless, among other conditions, the trust's common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder. In approving a transaction, our Board of Trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board.

The MGCL also provides that holders of “control shares” of a Maryland REIT (defined as voting shares that, when aggregated with all other shares owned by the acquirer or in respect of which the acquirer is entitled to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise one of three increasing ranges of voting power in electing trustees) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by the affirmative vote of holders of at least two-thirds of all the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by officers or by employees who are also trustees of the trust. Our Bylaws provide that the control share acquisition statute shall not apply to shares acquired or owned, directly or indirectly, by any person acting in concert with any group (as defined in Section 13 of the Exchange Act and the rules thereunder). Our Bylaws can be amended by our Board of Trustees by majority vote, and there can be no assurance that this provision will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Trustees, without shareholder approval and regardless of what is currently provided in our Declaration of Trust or Bylaws, to elect to be subject to certain provisions relating to corporate governance that may have the effect of delaying, deferring or preventing a transaction or a change of control of our Company that might involve a premium to the market price of our Common Shares or otherwise be in the best interests of our shareholders. We are subject to some of these provisions (for example, a two-thirds vote requirement for removing a trustee) by provisions of our Declaration of Trust and Bylaws unrelated to Subtitle 8.

Becoming subject to, or the potential to become subject to, these provisions of the MGCL could inhibit, delay or prevent a transaction or a change of control of our Company that might involve a premium price for our shareholders or otherwise be in our or their best interests. In addition, the provisions of our Declaration of Trust on removal of trustees and the provisions of our Bylaws regarding advance notice of shareholder nominations of trustees and other business proposals and restricting shareholder action outside of a shareholders meeting unless such action is taken by unanimous written consent could have a similar effect.

Our rights and shareholders' rights to take action against trustees and officers are limited, which could limit recourse in the event of actions not in the best interests of shareholders.

As permitted by Maryland law, our Declaration of Trust eliminates the liability of our trustees and officers to the Company and its shareholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated.

In addition, our Declaration of Trust authorizes, and our Bylaws obligate, us to indemnify each present or former trustee or officer, to the maximum extent permitted by Maryland law, who is made a party to any proceeding because of his or her service to our Company. As part of these indemnification obligations, we may be obligated to fund the defense costs incurred by our trustees and officers.

Legislative or regulatory tax changes could have an adverse effect on us.

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

Our redevelopment and construction activities could affect our operating results.

We intend to continue the selective redevelopment and construction of retail properties, with our project at CityPoint currently being our largest redevelopment project (see “Item 1. BUSINESS - INVESTING ACTIVITIES - Opportunity Funds - Redevelopment Activities” for a description of the CityPoint project).
As opportunities arise, we expect to delay construction until sufficient pre-leasing is reached and financing is in place.
Our redevelopment and construction activities include risks that:
- We may abandon redevelopment opportunities after expending resources to determine feasibility;
- Construction costs of a project may exceed our original estimates;

- Occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable;
- Financing for redevelopment of a property may not be available to us on favorable terms;
- We may not complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs; and
- We may not be able to obtain, or may experience delays in obtaining necessary zoning, land use, building, occupancy and other required governmental permits and authorizations.

Additionally, the time frame required for redevelopment, construction and lease-up of these properties means that we may not realize a significant cash return for several years. If any of the above events occur, the redevelopment of properties may hinder our growth and have an adverse effect on our results of operations and cash flows. In addition, new redevelopment activities, regardless of whether or not they are ultimately successful, typically require substantial time and attention from management.

Redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of shopping centers and other retail properties in supply constrained markets in densely populated areas with high average household incomes and significant barriers to entry. The redevelopment and acquisition of properties entails risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- The property may fail to achieve the returns we have projected, either temporarily or for extended periods;
- We may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- We may not be able to integrate an acquisition into our existing operations successfully;
- Properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project, within the time frames we project, at the time we make the decision to invest, which may result in the properties' failure to achieve the returns we projected;
- Our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property; and
- Our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

Climate change and catastrophic risk from natural perils.

Some of our current properties could be subject to potential natural or other disasters. We may acquire properties that are located in areas which are subject to natural disasters. Any properties located in coastal regions would therefore be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors.

Climate change is a long-term change in the statistical distribution of weather patterns over periods of time that range from decades to millions of years. It may be a change in the average weather conditions or a change in the distribution of weather events with respect to an average, for example, greater or fewer extreme weather events. Climate change may be limited to a specific region, or may occur across the whole Earth.

There may be significant physical effects of climate change that have the potential to have a material effect on our business and operations. These effects can impact our personnel, physical assets, tenants and overall operations.

Physical impacts of climate change may include:

- Increased storm intensity and severity of weather (e.g., floods or hurricanes);
- Sea level rise; and
- Extreme temperatures.

As a result of these physical impacts from climate-related events, we may be vulnerable to the following:

- Risks of property damage to our shopping centers;
- Indirect financial and operational impacts from disruptions to the operations of major tenants located in our shopping centers from severe weather, such as hurricanes or floods;
- 

- Increased insurance premiums and deductibles, or a decrease in the availability of coverage, for properties in areas subject to severe weather;
- Increased insurance claims and liabilities;
- Increases in energy costs impacting operational returns;

- Changes in the availability or quality of water, or other natural resources on which the tenant's business depends;
- Decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperatures or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable);
- Incorrect long term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and
- Economic disruptions arising from the above.

Possible liability relating to environmental matters.

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

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

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

- The discovery of previously unknown environmental conditions;
- Changes in law;
- Activities of tenants; and
- Activities relating to properties in the vicinity of our properties.

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

Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.

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

Future terrorist attacks or civil unrest could harm the demand for, and the value of, our properties.

Future terrorist attacks or civil unrest, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and other acts of terrorism or war, could harm the demand for, and the value of, our properties. Terrorist attacks could directly impact the value of our properties through damage, destruction, loss or increased security costs, and the availability of insurance for such acts may be limited or may be subject to substantial cost increases. To the extent that our tenants are impacted by future attacks, their ability to continue to honor obligations under their existing leases could be adversely affected.

A decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. These acts might erode business and consumer confidence and spending, and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of our properties, and limit our access to capital or increase our cost of raising capital.

Outages, computer viruses and similar events could disrupt our operations.

We rely on information technology networks and systems, some of which are owned and operated by third parties, to process, transmit and store electronic information. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. Despite the implementation of network security measures, our systems and those of third parties on which we rely may also be vulnerable to computer viruses and similar disruptions. If we and the third parties on whom we rely are unable to prevent such outages and breaches, our operations could be disrupted.

Increased Information Technology ("IT") security threats and more sophisticated computer crime could pose a risk to our systems, networks and services.

Increased global IT security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. The open nature of interconnected technologies may allow for a network or Web outage or a privacy breach that reveals sensitive data or transmission of harmful/malicious code to business partners and clients resulting in liability claims. While we attempt to mitigate these risks by employing a number of measures, including a dedicated IT team, employee training and background checks, comprehensive monitoring of our networks and systems, and maintenance of backup systems and redundancy along with purchasing available insurance coverage, our systems, networks and services remain potentially vulnerable to advanced threats. Depending on their nature and scope, such threats could potentially lead to the compromising of confidential information, improper use of our systems and networks, manipulation and destruction of data, loss of trade secrets, system downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

SHOPPING CENTER PROPERTIES

The discussion and tables in this Item 2. include properties held through our Core Portfolio and our Opportunity Funds. We define our Core Portfolio as those properties either 100% owned by, or partially owned through joint venture interests by, the Operating Partnership, or subsidiaries thereof, not including those properties owned through our Opportunity Funds.

As of December 31, 2012, there are 72 operating properties in our Core Portfolio totaling approximately 5.3 million square feet of gross leasable area (“GLA”). The Core Portfolio properties are located in 12 states and the District of Columbia and primarily consist of urban/street retail, dense suburban neighborhood and community shopping centers and mixed-use properties with a strong retail component. Our shopping centers are predominately anchored by supermarkets or value-oriented retail. The properties are diverse in size, ranging from approximately 3,000 to 875,000 square feet and as of December 31, 2012, were, in total, 94% occupied.

As of December 31, 2012, we owned and operated 20 properties totaling approximately 2.5 million square feet of GLA in our Opportunity Funds, excluding eight properties under redevelopment. In addition to shopping centers, the Opportunity Funds have invested in mixed-use properties, which generally include retail activities. The Opportunity Fund properties are located in eight states and the District of Columbia and as of December 31, 2012, were, in total, 88% occupied.

Within our Core Portfolio and Opportunity Funds, we had approximately 650 leases as of December 31, 2012. A majority of our rental revenues were from national retailers and consist of rents received under long-term leases. These leases generally provide for the monthly payment of fixed minimum rent and the tenants' pro-rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping centers. Certain of our leases also provide for the payment of rent based on a percentage of a tenant's gross sales in excess of a stipulated annual amount, either in addition to, or in place of, minimum rents. Minimum rents, percentage rents and expense reimbursements accounted for approximately 92% of our total revenues for the year ended December 31, 2012.

Three of our Core Portfolio properties and five of our Opportunity Fund properties are subject to long-term ground leases in which a third party owns and has leased the underlying land to us. We pay rent for the use of the land and are responsible for all costs and expenses associated with the building and improvements at all eight locations.

No individual property contributed in excess of 10% of our total revenues for the years ended December 31, 2012, 2011 or 2010. Reference is made to Note 8 in the Notes to Consolidated Financial Statements, for information on the mortgage debt pertaining to our properties. The following sets forth more specific information with respect to each of our shopping centers at December 31, 2012:

| Shopping Center | Location | Year Constructed (C) Acquired (A) | Ownership Interest | GLA | | Occupancy % 12/31/12 (1) | | Annual Base Rent (2) | Annual Base Rent PSF | Anchor Tenants Current Lease Expiration/ Lease Option Expiration |
|---|---|---|---|---|---|---|---|---|---|---|
| Core Portfolio | | | | | | | | | | |
| New York Connecticut | | | | | | | | | | |
| 239 Greenwich Avenue | Greenwich | 1998 (A) | Fee/JV | 16,834 | (3) | 100 | % | $1,554,663 | $92.35 | |
| 181 Main Street | Westport | 2012 (A) | Fee | 11,350 | | 100 | % | 772,000 | 68.02 | |
| New Jersey | | | | | | | | | | |
| Elmwood Park Shopping Center | Elmwood Park | 1998 (A) | Fee | 149,262 | | 97 | % | 3,596,396 | 24.87 | A&P 2017/2052 Walgreen's 2022/2062 |
| A&P Shopping Plaza | Boonton | 2006 (A) | Fee/JV | 62,741 | | 100 | % | 1,343,723 | 21.42 | A&P 2024/2054 |
| 60 Orange Street | Bloomfield | 2012 (A) | Fee/JV | 101,715 | | 100 | % | 907,500 | 8.92 | Home Depot 2032/2052 |
| New York | | | | | | | | | | |
| Village Commons Shopping Center | Smithtown | 1998 (A) | Fee | 87,330 | | 95 | % | 2,552,470 | 30.68 | |
| Branch Shopping Center | Smithtown | 1998 (A) | LI (4) | 126,273 | | 81 | % | 2,551,407 | 25.06 | CVS 2020/— LA Fitness 2027/2042 |
| Amboy Road | Staten Island | 2005 (A) | LI (4) | 60,090 | | 100 | % | 1,632,178 | 27.16 | Stop & Shop 2028/2043 |
| Bartow Avenue | Bronx | 2005 (C) | Fee | 14,676 | | 93 | % | 420,687 | 30.90 | |
| Pacesetter Park Shopping Center | Ramapo | 1999 (A) | Fee | 97,583 | | 94 | % | 1,151,105 | 12.58 | Stop & Shop 2020/2040 |
| | | 2007 (A) | Fee | 55,000 | | 100 | % | 1,391,500 | 25.30 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| West Shore Expressway | Staten Island | | | | | | | | LA Fitness 2022/2037 |
| West 54th Street | Manhattan | 2007 (A) | Fee | 9,797 | 48 | % | 1,245,680 | 264.56 | |
| East 17th Street | Manhattan | 2008 (A) | Fee | 19,622 | 100 | % | 625,000 | 31.85 | Barnes & Noble 2013/2018 |
| Crossroads Shopping Center | White Plains | 1998 (A) | Fee/JV (5) | 309,523 | 78 | % | 5,139,479 | 21.31 | Kmart 2017/2032 Modell’s 2014/2019 Home Goods 2018/2033 Party City 2024/2034 |
| Third Avenue | Bronx | 2006 (A) | Fee | 40,320 | 79 | % | 666,631 | 20.85 | Planet Fitness 2027/2042 |
| Mercer Street | Manhattan | 2011 (A) | Fee | 6,225 | 100 | % | 383,160 | 61.55 | |
| 28 Jericho Turnpike | Westbury | 2012 (A) | Fee | 96,363 | 100 | % | 1,650,000 | 17.12 | Kohl's 2020/2050 |
| 4401 White Plains Road | Bronx | 2011 (A) | Fee | 12,964 | 100 | % | 625,000 | 48.21 | Walgreens 2060/- |
| 83 Spring Street | Manhattan | 2012 (A) | Fee | 3,000 | 100 | % | 623,884 | 207.96 | |
| Total New York Region | | | | 1,280,668 | 91 | % | $28,832,463 | $24.74 | |
| New England Connecticut | | | | | | | | | |
| Town Line Plaza | Rocky Hill | 1998 (A) | Fee | 206,346 | 98 | % | $1,636,374 | $15.69 | Stop & Shop 2024/2064 Wal-Mart(6) |

| Shopping Center | Location | Year Constructed (C) Acquired (A) | Ownership Interest | GLA | Occupancy % 12/31/12 (1) | Annual Base Rent (2) | Annual Base Rent PSF | Anchor Tenants Current Lease Expiration/ Lease Option Expiration |
|---|---|---|---|---|---|---|---|---|
| Core Portfolio, continued | | | | | | | | |
| Massachusetts | | | | | | | | |
| Methuen Shopping Center | Methuen | 1998 (A) | Fee | 130,021 | 100 % | 1,027,936 | 7.91 | Demoulas Market 2015/— Wal-Mart 2016/2051 |
| Crescent Plaza | Brockton | 1993 (A) | Fee | 218,137 | 94 % | 1,658,255 | 8.08 | Supervalu 2014/2044 Home Depot 2021/2056 |
| 330-340 River Street | Cambridge | 2012 (A) | Fee | 54,226 | 100 % | 1,130,470 | 20.85 | Whole Foods 2021/2051 Rite Aid 2028/2068 |
| New York | | | | | | | | |
| New Loudon Center | Latham | 1993 (A) | Fee | 255,673 | 100 % | 1,959,124 | 7.66 | Price Chopper 2015/2035 Marshall's 2014/2029 Raymour and Flanigan 2019/2034 AC Moore 2014/2024 Hobby Lobby 2021/- |
| Rhode Island | | | | | | | | |
| Walnut Hill Plaza | Woonsocket | 1998 (A) | Fee | 284,717 | 90 % | 2,136,086 | 8.38 | Supervalu 2013/2028 Sears 2013/2033 Savers 2013/2018 Ocean State Job Lot 2012/- Woonsocket Bowling 2021/- |
| Vermont | | | | | | | | |
| | | 1999 (A) | Fee | 101,655 | 100 % | 1,969,413 | 19.37 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| The Gateway Shopping Center | South Burlington | | | | | | | | Supervalu 2024/2053 |
| Total New England Region | | | | 1,250,775 | 96 | % | $11,517,658 | $10.41 | |
| Midwest Illinois | | | | | | | | | |
| Hobson West Plaza | Naperville | 1998 (A) | Fee | 99,137 | 96 | % | $1,138,122 | $11.94 | Garden Fresh Markets 2017/2037 |
| Clark Diversey | Chicago | 2006 (A) | Fee | 19,265 | 100 | % | 858,248 | 44.55 | |
| West Diversey | Chicago | 2011 (A) | Fee | 46,259 | 100 | % | 1,884,925 | 40.75 | Trader Joe's 2021/2041 |
| 639 West Diversey | Chicago | 2012 (A) | Fee | 12,557 | 100 | % | 666,091 | 53.05 | |
| 930 North Rush Street | Chicago | 2012 (A) | Fee | 2,930 | 100 | % | 1,113,948 | 380.19 | |
| Chicago Street Retail Portfolio (7) | Chicago | 2011 (A) | Fee | 115,287 | 89 | % | 4,536,341 | 44.26 | |

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| Shopping Center | Location | Year Constructed (C) Acquired (A) | Ownership Interest | GLA | Occupancy % 12/31/12 (1) | | Annual Base Rent (2) | Annual Base Rent PSF | Anchor Tenants Current Lease Expiration/ Lease Option Expiration |
|---|---|---|---|---|---|---|---|---|---|
| Core Portfolio, continued | | | | | | | | | |
| Indiana | | | | | | | | | |
| Merrillville Plaza | Hobart | 1998 (A) | Fee | 235,824 | 92 | % | 2,918,290 | 13.52 | TJ Maxx 2019/2029 JC Penney 2013/2018 OfficeMax 2013/2028 K&G Fashion 2017/2027 |
| Michigan | | | | | | | | | |
| Bloomfield Town Square | Bloomfield Hills | 1998 (A) | Fee | 236,676 | 97 | % | 3,396,624 | 14.81 | TJ Maxx 2019/2029 Home Goods 2016/2026 Best Buy 2021/2041 Dick's Sporting Goods 2023/2043 |
| Ohio | | | | | | | | | |
| Mad River Station (8) | Dayton | 1999 (A) | Fee | 126,129 | 83 | % | 1,315,006 | 12.54 | Babies 'R' Us 2015/2020 Office Depot 2015/— |
| Total Midwest Region | | | | 894,064 | 93 | % | $17,827,595 | $21.51 | |
| Mid-Atlantic | | | | | | | | | |
| New Jersey | | | | | | | | | |
| Marketplace of Absecon | Absecon | 1998 (A) | Fee | 104,762 | 76 | % | $1,334,497 | $16.78 | Rite Aid 2020/2040 White Horse Liquors 2019/- |
| Delaware | | | | | | | | | |
| Brandywine Town Center | Wilmington | 2003 (A) | Fee/JV (9) | 875,679 | 97 | % | 13,080,972 | 15.44 | Bed, Bath & Beyond 2014/2029 Dick's |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Sporting Goods 2013/2028 Lowe’s Home Centers 2018/2048 Target 2018/2058 HH Gregg 2020/2035 |
| Market Square Shopping Center | Wilmington | 2003 (A) | Fee/JV (9) | 102,047 | 98 | % | 2,507,840 | 25.02 | TJ Maxx 2016/2021 Trader Joe’s 2019/2034 |
| Route 202 Shopping Center | Wilmington | 2006 (C) | LI/JV (4) (9) | 19,984 | 100 | % | 837,541 | 41.91 | |

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| Shopping Center | Location | Year Constructed (C) Acquired (A) | Ownership Interest | GLA | Occupancy % 12/31/12 (1) | | Annual Base Rent (2) | Annual Base Rent PSF | Anchor Tenants Current Lease Expiration/ Lease Option Expiration |
|---|---|---|---|---|---|---|---|---|---|
| Core Portfolio, continued | | | | | | | | | |
| Pennsylvania | | | | | | | | | |
| Mark Plaza | Edwardsville | 1993 (C) | LI/Fee (4) | 106,856 | 100 | % | 240,664 | 2.25 | Kmart 2014/2049 |
| Plaza 422 | Lebanon | 1993 (C) | Fee | 156,279 | 100 | % | 795,852 | 5.09 | Home Depot 2028/2058 Dunham's 2016/2031 |
| Route 6 Mall | Honesdale | 1994 (C) | Fee | 175,519 | 99 | % | 1,160,112 | 6.67 | Kmart 2020/2070 Fashion Bug 2016/- Advance Auto 2013/- |
| Chestnut Hill (10) | Philadelphia | 2006 (A) | Fee | 37,581 | 76 | % | 513,425 | 17.93 | |
| Abington Towne Center | Abington | 1998 (A) | Fee | 216,369 | 95 | % | 955,324 | 20.02 | TJ Maxx 2016/2021 Target (11) |
| District of Columbia | | | | | | | | | |
| Rhode Island Place Shopping Center | Washington D.C. | 2012 (A) | Fee | 57,529 | 100 | % | 1,622,629 | 28.21 | TJ Maxx 2017/- |
| 179-53 & 1801-03 Connecticut Avenue | Washington D.C. | 2012 (A) | Fee | 22,907 | 93 | % | 1,090,701 | 51.39 | |
| Georgetown Portfolio (11) | Washington D.C. | 2011 (A) | Fee/JV | 27,666 | 96 | % | 1,799,387 | 67.48 | |
| Total Mid-Atlantic Region | | | | 1,903,178 | 96 | % | $25,938,944 | $15.57 | |
| Total Core Properties | | | | 5,328,685 | 94 | % | $84,116,660 | $17.66 | |
| Opportunity Fund Portfolio | | | | | | | | | |
| Fund I Properties | | | | | | | | | |
| VARIOUS REGIONS | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Kroger/Safeway Portfolio | 3 locations (13) | 2003 (A) | LI/JV (4) | 97,500 | 69 | % | $302,076 | $4.48 | Kroger 2014/2049 Safeway 2014/2044 |
| Total Fund I Properties | | | | 97,500 | 69 | % | $302,076 | $4.48 | |
| Fund II Properties | | | | | | | | | |
| New York | | | | | | | | | |
| Pelham Plaza | Pelham Manor | 2004 (A) | LI/JV (4) | 228,493 | 94 | % | $5,887,611 | $27.29 | BJ's Wholesale Club 2033/2053 Michaels 2013/2033 Petsmart 2021/2036 |
| Fordham Place | Bronx | 2004(A) | Fee/JV | 119,446 | 100 | % | 5,519,760 | 46.21 | Best Buy 2019/2039 Sears 2023/2033 |
| 216th Street | Manhattan | 2005 (A) | Fee/JV | 60,000 | 100 | % | 2,694,000 | 44.90 | City of New York 2027/2032 |
| 161st Street (17) | Bronx | 2005 (A) | Fee/JV | 232,402 | 85 | % | 5,255,201 | 26.72 | City of New York 2013/- |
| Total Fund II Properties | | | | 640,341 | 92 | % | $19,356,572 | $32.71 | |

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| Shopping Center | Location | Year Constructed (C) Acquired (A) | Ownership Interest | GLA | Occupancy % 12/31/12 (1) | | Annual Base Rent (2) | Annual Base Rent PSF | Anchor Tenants Current Lease Expiration/ Lease Option Expiration |
|---|---|---|---|---|---|---|---|---|---|
| Opportunity Funds, continued | | | | | | | | | |
| Fund III Properties | | | | | | | | | |
| New York | | | | | | | | | |
| Cortlandt Towne Center | Mohegan Lake | 2009 (A) | Fee | 641,225 | 92 | % | $9,449,199 | $15.98 | Walmart 2018/2048 A&P 2022/2047 Best Buy 2017/2032 Petsmart 2014/2034 |
| 640 Broadway | Manhattan | 2012 (A) | Fee/JV | 4,409 | 74 | % | 662,103 | 203.54 | |
| New Hyde Park Shopping Center | New Hyde Park | 2011 (A) | Fee | 31,431 | 91 | % | 904,986 | 31.56 | |
| Massachusetts | | | | | | | | | |
| White City Shopping Center | Shrewsbury | 2010 (A) | Fee/JV (14) | 257,288 | 76 | % | 4,841,673 | 24.89 | Shaw’s 2018/2033 Iparty 2015/- Austin's Liquor 2015/- |
| Maryland | | | | | | | | | |
| Parkway Crossing | Baltimore | 2011 (A) | Fee/JV (15) | 260,241 | 93 | % | 1,897,981 | 7.84 | Home Depot 2032/- Big Lots 2016/- Shop Rite 2032/- |
| Arundel Plaza | Glen Burnie | 2012 (A) | Fee/JV (15) | 265,116 | 97 | % | 1,445,276 | 5.60 | Giant Food 2015/2025 Lowes 2019/2059 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Florida | | | | | | | | | | |
| Lincoln Road | Miami | 2011 (A) | Fee/JV (16) | 61,443 | 49 % | | 3,257,573 | | 108.31 | |
| Illinois | | | | | | | | | | |
| Heritage Shops | Chicago | 2011 (A) | Fee | 105,585 | 77 % | | 3,103,565 | | 38.29 | LA Fitness 2025/2040 |
| Lincoln Park Centre | Chicago | 2012 (A) | Fee | 62,745 | 60 % | | 1,607,359 | | 42.87 | |
| Total Fund III Properties | | | | 1,689,483 | 87 % | | $27,169,715 | | $18.48 | |
| Fund IV Properties | | | | | | | | | | |
| Maryland | | | | | | | | | | |
| 1701 Belmont Avenue | Catonsville | 2012 (A) | Fee/JV (15) | 58,674 | 100 % | | $936,166 | | $15.96 | Best Buy 2017/2027 |
| Florida | | | | | | | | | | |
| Lincoln Road | Miami | 2012 (A) | Fee/JV (16) | 54,453 | 100 % | | 4,949,953 | | 90.90 | |
| Total Fund IV Properties | | | | 113,127 | 100 % | 113,127 | $5,886,119 | 113,127 | $52.03 | |
| Total Opportunity Fund Operating Properties (18) | | | | 2,540,451 | 88 % | | $52,714,482 | | $23.54 | |

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| Shopping Center | Location | Year Constructed (C) Acquired (A) | Ownership Interest | GLA | Occupancy % 12/31/12 (1) | Annual Base Rent (2) | Annual Base Rent PSF | Anchor Tenants Current Lease Expiration/ Lease Option Expiration |
|---|---|---|---|---|---|---|---|---|

Notes:

(1) Does not include space for which lease term had not yet commenced as of December 31, 2012.

(2) These amounts include, where material, the effective rent, net of concessions, including free rent.

(3) In addition to the 16,834 square feet of retail GLA, this property also has 21 apartments comprising 14,434 square feet.

(4) We are a ground lessee under a long-term ground lease.

(5) We have a 49% investment in this property.

(6) Includes a 97,300 square foot Wal-Mart which is not owned by us.

(7) Includes 19 properties (56 E. Walton, 841 W. Armitage, 2731 N. Clark, 2140 N. Clybourn, 853 W. Armitage, 2299 N. Clybourn, 1520 Milwaukee Avenue, 843-45 W Armitage,1521 W Belmont, 2206-08 N Halsted, 2633 N Halsted, 50-54 E. Walton, 662 W. Diversey, 837 W. Armitage, 823 W. Armitage, 851 W. Armitage, 1240 W. Belmont, 21 E. Chestnut and 819 W. Armitage).

(8) The GLA for this property excludes 29,857 square feet of office space.

(9) We have a 22% investment in this property.

(10) Property consists of two buildings.

(11) Includes a 157,616 square foot Target Store that is not owned by us.

(12) Includes six properties (1533 Wisconsin Ave., 3025 M St., 3034 M St., 3146 M St, 3259-61 M St., and 2809 M St.). We have a 50% investment in these properties.

(13) Three remaining assets including locations in Benton, AR, Tulsa, OK and Indianapolis, IN.

(14) The Fund has an 84% investment in this property.

(15) The Fund has a 90% investment in this property.

(16) The Fund has a 95% investment in this property.

(17) Currently operating but re-tenanting activities have commenced.

(18) In addition to the Opportunity Fund operating properties, there are eight properties under redevelopment; Sherman Plaza (Fund II), CityPoint (Fund II) , Sheepshead Bay (Fund III), 723 N. Lincoln Lane (Fund III), Broad Hollow Commons (Fund III), Cortlandt Crossing (Fund III), 3104 M Street (Fund III) and 210 Bowery (Fund IV).

MAJOR TENANTS

No individual retail tenant accounted for more than 4.0% of base rents for the year ended December 31, 2012 or occupied more than 7.4% of total leased GLA as of December 31, 2012. The following table sets forth certain information for the 20 largest retail tenants by base rent for leases in place as of December 31, 2012. The amounts below include our pro-rata share of GLA and annualized base rent for the Operating Partnership’s partial ownership interest in properties, including the Opportunity Funds (GLA and Annualized Base Rent in thousands):

| Retail Tenant | Number of Stores in Portfolio (1) | Total GLA | Annualized Base Rent (2) | Percentage of Total Represented by Retail Tenant: Total Portfolio GLA | Percentage of Total Represented by Retail Tenant: Annualized Base Rent |
|---|---|---|---|---|---|
| LA Fitness | 4 | 110 | $2,551 | 2.4 % | 4.0 % |
| Supervalu (Shaw’s) | 4 | 176 | 2,421 | 3.8 % | 3.8 % |
| Home Depot | 7 | 313 | 2,007 | 6.8 % | 3.1 % |
| Ahold (Stop and Shop) | 3 | 155 | 1,936 | 3.4 % | 3.0 % |
| A&P | 3 | 90 | 1,924 | 2.0 % | 3.0 % |
| TJX Companies | 9 | 215 | 1,709 | 4.6 % | 2.7 % |
| Sears | 5 | 342 | 1,653 | 7.4 % | 2.6 % |
| Walgreens | 4 | 39 | 1,607 | 0.9 % | 2.5 % |
| Best Buy | 4 | 57 | 1,032 | 1.2 % | 1.6 % |
| Trader Joe's | 2 | 19 | 961 | 0.4 % | 1.5 % |
| TD Bank | 2 | 15 | 959 | 0.3 % | 1.5 % |
| Walmart | 3 | 213 | 887 | 4.6 % | 1.4 % |
| Sleepy's | 6 | 35 | 880 | 0.8 % | 1.4 % |
| Dicks Sporting Goods | 2 | 60 | 849 | 1.3 % | 1.3 % |
| JP Morgan Chase | 7 | 28 | 811 | 0.6 % | 1.3 % |
| Citibank | 6 | 15 | 739 | 0.3 % | 1.1 % |
| Pier 1 Imports | 4 | 25 | 690 | 0.5 % | 1.1 % |
| Dollar Tree | 7 | 64 | 653 | 1.4 % | 1.0 % |
| Payless Shoesource | 8 | 20 | 541 | 0.4 % | 0.8 % |
| Coach | 2 | 7 | 530 | 0.1 % | 0.8 % |
| Total | 92 | 1,998 | $25,340 | 43.2 % | 39.5 % |

Notes:

(1) Does not include tenants that only operate at one shopping center.

(2) Base rents do not include percentage rents, additional rents for property expense reimbursements and contractual rent escalations.

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LEASE EXPIRATIONS

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 2012, assuming that none of the tenants exercise renewal options. (GLA and Annualized Base Rent in thousands):

Core Portfolio:

| Leases maturing in | Number of Leases | Annualized Base Rent (1) Current Annual Rent | Annualized Base Rent (1) Percentage of Total | GLA Square Feet | GLA Percentage of Total |
|---|---|---|---|---|---|
| Month to Month | 6 | $322 | — % | 17 | — % |
| 2013 (2) | 72 | 8,588 | 10 % | 538 | 11 % |
| 2014 | 70 | 9,704 | 12 % | 541 | 11 % |
| 2015 | 45 | 7,302 | 9 % | 445 | 9 % |
| 2016 | 59 | 8,499 | 10 % | 511 | 11 % |
| 2017 | 49 | 10,341 | 12 % | 499 | 11 % |
| 2018 | 22 | 6,705 | 8 % | 403 | 8 % |
| 2019 | 23 | 3,422 | 4 % | 181 | 4 % |
| 2020 | 22 | 5,663 | 7 % | 367 | 8 % |
| 2021 | 24 | 5,865 | 7 % | 395 | 8 % |
| 2022 | 23 | 4,756 | | | |