

GULFPORT ENERGY CORP
Form 8-K
July 15, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 11, 2011

GULFPORT ENERGY CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other jurisdiction

of incorporation)

000-19514
(Commission

File Number)

73-1521290
(I.R.S. Employer

Identification Number)

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14313 North May Avenue

Suite 100

Oklahoma City, OK
(Address of principal executive offices)

(405) 848-8807

73134
(Zip code)

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act

- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act

- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act

- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Item 1.01. Entry into a Material Definitive Agreement.

On July 11, 2011, Gulfport Energy Corporation (the Company) entered into an Underwriting Agreement with Credit Suisse Securities (USA) LLC, as representative of the several underwriters named therein (the Underwriting Agreement). The Underwriting Agreement relates to the public offering of 3,000,000 shares of the Company's common stock at a public offering price of \$28.75 per share. Pursuant to the Underwriting Agreement, the Company granted the underwriters a 30-day option to purchase up to an additional 450,000 shares of the Company's common stock at the public offering price (less the underwriting discount) solely to cover over-allotments. On July 13, 2011, the underwriters exercised the over-allotment option in full. The Company intends to use the net proceeds from this offering to repay the current outstanding balance under its secured revolving credit facility, to fund its acquisition of oil and gas assets, including in the Utica Shale in Ohio, and for general corporate purposes, which may include expenditures associated with Gulfport's 2011 drilling programs. The offering closed on July 15, 2011.

The offering was made pursuant to the Company's effective automatic shelf registration statement on Form S-3 (File No. 333-175435), filed with the Securities and Exchange Commission (the SEC) on July 11, 2011 (the Shelf Registration Statement), and a prospectus, which consists of a base prospectus, filed with the SEC on July 11, 2011, a preliminary prospectus supplement, filed with the SEC on July 11, 2011, and a prospectus supplement, filed with the SEC on July 12, 2011 (collectively, the Prospectus).

A copy of the Underwriting Agreement is filed as Exhibit 1.1 to this Current Report on Form 8-K and the contents thereof are incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

On July 12, 2011, the Company issued a press release announcing the pricing of the underwritten public offering of shares of its common stock. A copy of the press release is filed as Exhibit 99.1 to this Current Report on Form 8-K, and the contents thereof are incorporated herein by reference.

Item 8.01. Other Events.

We are filing a legal opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P., attached as Exhibit 5.1 to this Current Report on Form 8-K, to incorporate such opinion by reference into the Shelf Registration Statement and into the Prospectus.

Item 9.01. Financial Statements and Exhibits

(d) *Exhibits*

Number	Exhibit
1.1	Underwriting Agreement, dated July 11, 2011, between Gulfport Energy Corporation and Credit Suisse Securities (USA) LLC, as representative of the several underwriters named therein.
5.1	Opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P.
23.1	Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in Exhibit 5.1).
99.1	Press release, dated July 12, 2011, entitled Gulfport Energy Corporation Announces Pricing of Public Offering of Common Stock.

SIGNATURE

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

GULFPORT ENERGY CORPORATION

Date: July 15, 2011

By: /s/ MICHAEL G. MOORE
Michael G. Moore

Chief Financial Officer

Exhibit Index

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99.1	Press release, dated July 12, 2011, entitled Gulfport Energy Corporation Announces Pricing of Public Offering of Common Stock.
	Street Manhattan 2007 (A) Fee 9,945 82% Stage Deli 2011/ Crossroads Shopping White Plains 1998 (A) JV (7) 310,624 97% A&P/Waldbaum s 2012/2032 Center Kmart 2012/2032 B. Dalton 2012/2022 Modell s 2009/2019 Pier 1 2012/ Pay Half 2007/
Total New York Region	1,031,586 97%

New England

Connecticut

Town Line Plaza

Rocky Hill 1998 (A) Fee 206,356(2) 99% Stop & Shop 2023/2063

Wal-Mart(2)

Massachusetts

Methuen Shopping

Methuen 1998 (A) LI/Fee (4) 130,021 100% DeMoulas Market 2015/2020

Center

Wal-Mart 2012/2052

Crescent Plaza

Brockton 1984 (A) Fee 218,141 99% Shaw s 2012/2042

Home Depot 2021/2056
New York

New Loudon Center
Latham 1982 (A) Fee 255,826 100% Price Chopper 2015/2035

Marshall s 2014/2029

Bon Ton 2014/2034

Raymour and Flanigan 2019/2034

AC Moore 2009/2024
Rhode Island

Walnut Hill Plaza
Woonsocket 1998 (A) Fee 284,717 89% Shaw s 2013/2028

Sears 2008/2033

CVS 2009/2014
Vermont

The Gateway Shopping
South 1999 (A) Fee 101,784 96% Shaw s 2024/2053
Center
Burlington

Total New England Region
1,196,845 97%

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Shopping Center	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy (1) % 12/31/07	Anchor Tenants Current Lease Expiration/ Lease Option Expiration
Midwest						
Illinois Hobson West Plaza	Naperville	1998 (A)	Fee	98,908	98%	Bobak's Market & Restaurant 2012/2032
Clark Diversey	Chicago	2006 (A)	Fee	19,265	100%	Papyrus 2010/2015 Starbucks 2010/2015 Nine West 2009/ The Vitamin Shoppe 2014/2024
Indiana Merrillville Plaza	Merrillville	1998 (A)	Fee	235,685	96%	TJ Maxx 2009/2014 JC Penney 2008/2018 Office Max 2008/2028 K&G 2017/2027 Pier 1 2009/ David's Bridal 2010/2020
Michigan Bloomfield Town Square	Bloomfield Hills	1998 (A)	Fee	232,181	98%	TJ Maxx 2009/2014 Marshalls 2011/2026 Home Goods 2010/2020 Circuit City 2023/2038 Office Max 2010/2025
Ohio Mad River Station	Dayton	1999 (A)	Fee	155,838(6)	81%	Babies R Us 2010/2020 Office Depot 2010/ Pier 1 2010/
Total Midwest Region				741,877	94%	
Mid-Atlantic						
New Jersey Marketplace of Absecon	Absecon	1998 (A)	Fee	105,135	95%	Acme 2015/2055
Ledgewood Mall	Ledgewood	1983 (A)	Fee	517,151	89%	Eckerd Drug 2020/2040 Wal-Mart 2019/2049 Macy's 2010/2025 The Sports Authority 2012/2037 Circuit City 2020/2040 Marshalls 2014/2034 Ashley Furniture 2010/2020 Barnes and Noble 2010/2035

Delaware Brandywine Town Center	Wilmington	2003(A)	JV (10)	874,908	98%	Drexel Heritage 2016/2026 Michaels 2011/2026 Old Navy (The Gap) 2011/2016 PetSmart 2017/2042 Thomasville Furniture 2011/2021 Access Group 2015/2025 Bed, Bath & Beyond 2014/2029 Dick's Sporting Goods 2013/2028 Lowe's Home Centers 2018/2048 Regal Cinemas 2017/2037 Target 2018/2058 TransUnion Settlement 2013/2018 Lane Home Furnishings 2015/2030 MJM Designer 2015/2030 World Market 2015/ Christmas Tree Shops 2028/2048 Target Expansion 2011/2363 TJ Maxx 2011/2016
Market Square Shopping Center	Wilmington	2003(A)	JV (10)	102,662	89%	Trader Joe's 2013/2028
Naamans Road	Wilmington	2006 (C)	LI/JV (10) (4)	19,970	100%	Tweeters 2026/2046
Pennsylvania Blackman Plaza	Wilkes-Barre	1968 (C)	Fee	125,264	93%	Kmart 2009/2049 Eckerd 2016/
Mark Plaza	Edwardsville	1968 (C)	LI/Fee (4)	216,401	93%	Redner's Markets 2018/2028 Kmart 2009/2049

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	Location	Year Constructed (C) Acquired (A)	Ownership Interest	GLA	Occupancy (1)% 12/31/07	Anchor Tenants Current Lease Expiration Lease Option Expiration
Shopping Center						
La 422	Lebanon	1972 (C)	Fee	155,149	69%	Home Depot 2028/2058
Le 6 Mall	Honesdale	1994 (C)	Fee	175,505	100%	Kmart 2020/2070 Eckerd 2011/2026 Fashion Bug 2016/ Borders 2010/2020 Express 2009/ TJ Maxx 2010/2020 Target (5)
Walnut Hill (13)	Philadelphia	2006 (A)	Fee	40,570	100%	
Wilmington Towne Center	Abington	1998 (A)	Fee	216,355(5)	99%	
Mid-Atlantic Region				2,549,070	94%	
Core Properties				5,519,378	95%	
Opportunity Fund Portfolio						
Fund I Properties						
	Columbus	2002(A)	JV (8)	134,997	41%	Lifestyle Family Fitness 2017/2027
Lebanon Centre Virginia	Virginia Beach	2004(A)	JV (8)	178,533	93%	Eckerd Drug 2009/ Farm Fresh 2026/2101 Marshalls 2017/
Lebanon Shopping Center	Westchester	2004 (A)	JV (8)	35,291	85%	Walgreen's 2080/
VARIOUS REGIONS						
	Various	2003 (A)	JV (8)	1,018,100	100%	25 Kroger/Safeway Supermarkets 2009/
Fund I Properties				1,366,921	93%	
Fund II Properties						
	Oakbrook	2005 (A)	JV (4) (9)	112,000	100%	Neiman Marcus 2011/20
Lebanon New York	New York	2005 (A)	JV (4) (9)	17,088	100%	CVS 2032/2052
Lebanon Avenue New York Street	New York	2005 (A)	JV (9)	60,000	100%	NY Dept. of Citywide Admin Svcs 2027/2042
Fund II Properties				189,088	100%	
Opportunity Fund Operating Properties				1,556,009	94%	

Properties under development						
ing Heights Shopping Center	Detroit	2004(A)	JV (8)	154,835	69%	Burlington Coat Factory 2024/
Street	Bronx	2005(A)	JV (9)	223,521	87%	Rite-Aid 2026/2046
E. Fordham Road	Bronx	2004(A)	JV (9)	-(11)	-(11)	City of New York 2011/
am Manor Shopping Center			LI/JV			
a	Westchester	2004(A)	(4) (9)	-(11)	-(11)	
man Avenue	New York	2005(A)	JV (9)	-(11)	-(11)	
Point	Brooklyn	2007(A)	JV (9)	-(11)	-(11)	
ntic Ave	Brooklyn	2007(A)	JV (9)	-(11)	-(11)	
arsie Plaza	Brooklyn	2007(A)	JV (9)	-(11)	-(11)	
port	Westport	2007(A)	JV (12)	-(11)	-(11)	
pshead Bay	Brooklyn	2007(A)	JV (12)	-(11)	-(11)	
Total Redevelopment Properties				378,356	80%	

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Notes:

- (1) Does not include space leased for which rent had not yet commenced as of December 31, 2007.
- (2) Includes a 97,300 square foot Wal-Mart which is not owned us.
- (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) Includes a 157,616 square foot Target Store that is not owned by the Company.
- (6) The GLA for this property includes 28,205 square feet of office space.
- (7) We have a 49% investment in this property.

- (8) We have invested in this asset through Fund I.
- (9) We have invested in this asset through Fund II.
- (10) We have invested in this asset with Ginsburg Development Corp. (GDC).
- (11) Under redevelopment.
- (12) We have invested in this asset through Fund III.
- (13) Property consists of two buildings.

Table of Contents**MAJOR TENANTS**

No individual retail tenant accounted for more than 6.3% of minimum rents for the year ended December 31, 2007 or 8.7% of total leased GLA as of December 31, 2007. The following table sets forth certain information for the 20 largest retail tenants based upon minimum rents in place as of December 31, 2007. The table includes leases related to our partial interest in 25 anchor-only leases with Kroger and Safeway supermarkets. The amounts below include our pro-rata share of GLA and annualized base rent for our partial ownership interest in properties (GLA and rent in thousands):

Retail Tenant	Number of Stores in Portfolio	Total GLA	Annualized Base Rent ⁽¹⁾	Percentage of Total Represented by Retail Tenant	
				Total Portfolio GLA ⁽²⁾	Annualized Base Rent ⁽²⁾
A&P (Waldbaum's)	5	216	\$ 3,769	4.3%	6.3%
Albertson's (Shaw's, Acme)	4	220	3,013	4.4%	5.0%
T.J. Maxx (T.J. Maxx, Marshalls, Homegoods)	8	237	1,853	4.7%	3.1%
Sears (Sears, Kmart)	5	440	1,633	8.7%	2.7%
Wal-Mart	2	210	1,515	4.1%	2.5%
Ahold (Stop & Shop)	2	118	1,299	2.3%	2.2%
Kroger (3)	12	156	1,046	3.1%	1.8%
Safeway (4)	13	132	1,040	2.6%	1.7%
Home Depot	2	211	1,010	4.2%	1.7%
Circuit City	2	60	950	1.2%	1.6%
Price Chopper	1	77	804	1.5%	1.3%
Restoration Hardware	1	9	781	0.2%	1.3%
Sleepy's	5	36	683	0.7%	1.1%
Federated (Macy's)	1	73	651	1.4%	1.1%
Walgreens	2	21	615	0.4%	1.0%
CVS	4	31	562	0.6%	0.9%
Payless Shoesource	9	29	552	0.6%	0.9%
Limited Brands	1	13	510	0.3%	0.9%
JC Penney	1	50	495	1.0%	0.8%
Borders	1	19	482	0.4%	0.8%
Total	81	2,358	\$ 23,263	46.7%	38.7%

Notes:

- (1) Base rents do not include percentage rents (except where noted), additional rents for property expense reimbursements,

and contractual
rent escalations
due after
December 31,
2007.

- (2) Represents total
GLA and
annualized base
rent for our retail
properties
including our
pro-rata share of
joint venture
properties.
- (3) Kroger has
sub-leased four
of these locations
to supermarket
tenants, two
locations to a
non-supermarket
tenant and ceased
operations at one
other location.
Kroger is
obligated to pay
rent through the
full term of these
leases, which
expire in 2009.
- (4) Safeway has
sub-leased seven
of these locations
to supermarket
tenants, one
location to a
non-supermarket
tenant and ceased
operations at one
other location.
Safeway is
obligated to pay
rent through the
full term of all
these leases,
which expire in
2009.

Table of Contents**LEASE EXPIRATIONS**

The following table shows scheduled lease expirations for retail tenants in place as of December 31, 2007, 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)		GLA	
		Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2008	106	\$ 8,134	11%	476	10%
2009	78	6,176	9%	550	11%
2010	65	6,259	9%	526	11%
2011	52	7,416	10%	330	7%
2012	42	5,534	8%	505	10%
2013	20	4,463	6%	266	5%
2014	24	4,806	7%	288	6%
2015	20	5,558	8%	336	7%
2016	12	1,762	2%	82	2%
2017	20	4,701	7%	212	4%
Thereafter	39	16,377	23%	1,414	27%
Total	478	\$ 71,186	100%	4,985	100%

Opportunity Fund Portfolios:

Leases maturing in	Number of Leases	Annualized Base Rent (1)		GLA	
		Current Annual Rent	Percentage of Total	Square Feet	Percentage of Total
2008	23	\$ 523	3%	47	2%
2009	28	7,480	37%	1,036	60%
2010	4	190	1%	9	1%
2011	11	5,037	25%	290	16%
2012	8	748	4%	44	2%
2014	6	341	2%	14	1%
2015	2	47	0%	3	0%
2016	1	111	1%	8	0%
2017	3	741	4%	66	4%
Thereafter	9	4,668	23%	242	14%
Total	95	\$ 19,886	100%	1,759	100%

Note:

- (1) Base rents do not include percentage rents,

additional rents
for property
expense
reimbursements,
nor contractual
rent escalations
due after
December 31,
2007.

Table of Contents**GEOGRAPHIC CONCENTRATIONS**

The following table summarizes our retail properties by region as of December 31, 2007. (GLA and Annualized Base Rent in thousands):

Region	GLA (1)	Occupied % (2)	Annualized Base Rent (2)	Annualized Base Rent per Occupied Square Foot	Percentage of Total	
					GLA	Annualized Base Rent
Core Properties:						
New York Region (3)	1,032	97%	\$ 24,654	\$ 24.67	19%	35%
New England	1,197	97%	10,167	9.60	22%	14%
Midwest	742	94%	9,455	13.57	13%	13%
Mid-Atlantic	2,549	94%	26,910	12.07	46%	38%
Total core properties	5,520	95%	\$ 71,186	\$ 14.28	100%	100%
Opportunity Fund Properties:						
Midwest (4)	247	68%	\$ 1,488	\$ 8.86	16%	10%
Mid-Atlantic (5)	179	93%	1,768	10.69	12%	12%
New York Region (6)	112	95%	4,095	38.23	7%	28%
Various (Kroger/Safeway Portfolio) (7)	1,018	100%	7,363	7.23	65%	50%
Total operating opportunity fund properties	1,556	94%	\$ 14,714	\$ 10.09	100%	100%
Fund Redevelopment Properties:						
Midwest (8)	155	69%	\$ 641	\$ 6.02	40%	12%
New York Region (9)	224	87%	4,531	23.27	60%	88%
Total Fund redevelopment properties	379	80%	\$ 5,172	\$ 17.16	100%	100%

Notes:

(1) Property GLA includes a total of 255,000 square feet, which is not

owned by us.
This square
footage has
been excluded
for calculating
annualized base
rent per square
foot.

- (2) The above
occupancy and
rent amounts do
not include
space which is
currently leased,
but for which
rent payment
had not yet
commenced as
of December 31,
2007.
- (3) We have a 49%
interest in two
partnerships,
which together,
own the
Crossroads
Shopping
Center.
- (4) We have a
37.78% interest
in future
earnings and
distributions
from Fund I,
which owns one
property, and a
20% interest in
Fund II, which
owns one
property.
- (5) We have a
37.78% interest
in future
earnings and
distributions
from Fund I,
which has a

- 50% interest in a property.
- (6) We have a 37.78% interest in future earnings and distributions from Fund I, which owns one property, and a 20% interest in Fund II, which has a 98.6% interest in two properties.
- (7) Fund I portfolio of 25 triple-net, anchor-only leases with Kroger and Safeway supermarkets.
- (8) We have a 37.78% interest in future earnings and distributions from Fund I, which has a 50% interest in one property.
- (9) We have a 20% interest in Fund II, which has a 98.6% interest in one property.

Table of Contents**KROGER/SAFEWAY PORTFOLIO**

In January of 2003, Fund I formed a joint venture (the Kroger/Safeway JV) with an affiliate of real estate developer and investor AmCap Incorporated (AmCap) for the purpose of acquiring a portfolio of twenty-five supermarket leases for \$48.9 million inclusive of the closing and other related acquisition costs. The portfolio, which aggregates approximately 1.0 million square feet, consists of 25 anchor-only leases with Kroger (12 leases) and Safeway supermarkets (13 leases). The majority of the properties are free-standing and all are triple-net leases. The Kroger/Safeway JV acquired the portfolio subject to long-term ground leases with terms, including renewal options, averaging in excess of 80 years, which are master leased to a non-affiliated entity. The primary lease terms end during 2009 (Primary Term). Rental options for the supermarket leases at the end of their Primary Term are at an average rent of \$5.13 per square foot and for ten year increments through 2049. Although there is no obligation for the Kroger/Safeway JV to pay ground rent during the Primary Term, to the extent it exercises an option to renew a ground lease for a property at the end of the Primary Term, it will be obligated to pay an average ground rent of \$1.55 per square foot.

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

Location	Tenant	Notes	Gross	Rent upon	
			leasable	Current	initial
			area	rent	option
			(GLA)		commencement
Great Bend, KS	Kroger Co.	(1)(5)	48,000	\$ 3.07	\$ 2.40
Cincinnati, OH	Kroger Co.	(7)	32,200	6.90	5.36
Conroe, TX	Kroger Co.	(2)(6)	75,000	5.92	4.60
Harahan, LA	Kroger Co.	(2)(5)	60,000	5.90	4.61
Indianapolis, IN	Kroger Co.	(7)	34,000	4.99	3.87
Irving, TX	Kroger Co.	(4)	43,900	5.57	4.32
Pratt, KS	Kroger Co.	(1)(5)	38,000	4.84	3.78
Roanoke, VA	Kroger Co.	(5)	36,700	11.09	8.62
Shreveport, LA	Kroger Co.	(5)	45,000	8.97	6.96
Wichita, KS	Kroger Co.	(1)(5)	50,000	9.57	7.48
Wichita, KS	Kroger Co.	(1)(6)	40,000	8.92	6.97
Atlanta, TX	Safeway	(3)(5)	31,000	6.23	3.98
Batesville, AR	Safeway	(1)(7)	29,000	8.94	5.72
Benton, AR	Safeway	(1)(7)	33,500	7.36	4.71
Carthage, TX	Safeway	(1)(4)	27,700	6.43	4.12
Little Rock, AR	Safeway	(1)(7)	36,000	10.29	6.58
Longview, WA	Safeway	(4)	48,700	7.01	4.48
Mustang, OK	Safeway	(1)(4)	30,200	6.49	4.15
Roswell, NM	Safeway	(2)(6)	36,300	9.29	5.94
Ruidoso, NM	Safeway	(1)(4)	38,600	9.33	5.97
San Ramon, CA	Safeway	(7)	54,000	7.76	4.96
Springerville, AZ	Safeway	(4)	30,500	7.56	4.83
Tucson, AZ	Safeway	(4)	41,800	7.32	4.68
Tulsa, OK	Safeway	(1)(6)	30,000	7.75	4.96
Cary, NC	Kroger Co.	(3)(4)	48,000	5.86	4.55
	Total		1,018,100		

Notes:

- (1) The tenant is obligated to pay rent pursuant to the lease and has sub-leased this location to a supermarket sub-tenant.
- (2) The tenant is obligated to pay rent pursuant to the lease and has sub-leased this location to a non-supermarket sub-tenant.
- (3) The tenant is currently not operating at this location although they continue to pay rent in accordance with the lease.
- (4) The tenant has exercised its option to renew its lease.
- (5) The tenant has exercised its option to purchase the fee to this property during 2009.
- (6) The tenant has not exercised its option to renew the lease.
- (7) Renewal status pending

ITEM 3. LEGAL PROCEEDINGS:

We are involved in other various matters of litigation arising in the normal course of business. While we are unable to predict with any certainty the amounts involved, management is of the opinion that, when such litigation is resolved,

our resulting net liability, if any, will not have a significant effect on our consolidated financial position or results of operations.

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

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of 2007.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCK MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****(a) Market Information**

The following table shows, for the period indicated, the high and low sales price for our Common Shares as reported on the New York Stock Exchange, and cash dividends declared during the two years ended December 31, 2007 and 2006:

Quarter Ended	High	Low	Dividend Per Share
<u>2007</u>			
March 31, 2007	\$28.14	\$24.12	\$0.2000
June 30, 2007	28.75	25.43	0.2000
September 30, 2007	27.93	21.19	0.2000
December 31, 2007	29.00	24.03	0.4325
<u>2006</u>			
March 31, 2006	\$24.21	\$19.79	\$0.1850
June 30, 2006	23.94	19.51	0.1850
September 30, 2006	26.70	22.70	0.1850
December 31, 2006	27.13	23.81	0.2000

At February 29, 2008, there were 321 holders of record of our Common Shares.

(b) Dividends

We have determined that for 2007, 51% of the total dividends distributed to shareholders represented ordinary income, 15% represented unrecaptured Section 1250 gain and 34% represented Section 1231 gain. Our cash flow is affected by a number of factors, including the revenues received from rental properties, our operating expenses, the interest expense on our borrowings, the ability of lessees to meet their obligations to us and unanticipated capital expenditures. Future dividends paid by us will be at the discretion of the Trustees and will depend on our actual cash flows, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Trustees deem relevant.

(c) Issuer purchases of equity securities

We have an existing share repurchase program that authorizes management, at its discretion, to repurchase up to \$20.0 million of our outstanding Common Shares. Through February 29, 2008, we had repurchased 2.1 million Common Shares at a total cost of \$11.7 million. All of these Common Shares have been subsequently reissued. The program may be discontinued or extended at any time and there is no assurance that we will purchase the full amount authorized. There were no Common Shares repurchased by us during the fiscal year ended December 31, 2007.

(d) Securities authorized for issuance under equity compensation plans

The following table provides information related to our 1999 Share Incentive Plan (the 1999 Plan), 2003 Share Incentive Plan (the 2003 Plan) and the 2006 Share Incentive Plan (the 2006 Plan) as of December 31, 2007:

Equity Compensation Plan Information		
(a)	(b)	(c)
Number of securities to	Weighted- average	Number of securities remaining available for future issuance under

	be issued upon exercise of outstanding options, warrants and rights	exercise price of outstanding options, warrants and rights	equity compensation plans (excluding securities reflected in column a)
Equity compensation plans approved by security holders	531,738	\$ 9.99	618,041(1)
Equity compensation plans not approved by security holders			
Total	531,738	\$ 9.99	618,041(1)

Notes:

- (1) The 1999 Plan authorizes the issuance of options equal to up to 8% of the total Common Shares outstanding from time to time on a fully diluted basis. However, not more than 4,000,000 of the Common Shares in the aggregate may be issued pursuant to the exercise of options and no participant may receive more than 5,000,000 Common Shares during the term of the 1999 Plan. The 2003 Plan authorizes the issuance of options equal to up to 4% of the total Common Shares

outstanding
from time to
time on a fully
diluted basis.
However, no
participant may
receive more
than 1,000,000
Common Shares
during the term
of the 2003
Plan. The 2006
Plan authorizes
the issuance of a
maximum
number of
500,000
Common
Shares. No
participant may
receive more
than 500,000
Common Shares
during the term
of the 2006
Plan.

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Remaining Common Shares available is as follows:

Outstanding Common Shares as of December 31, 2007	32,184,462
Outstanding OP Units as of December 31, 2007	642,272
Total Outstanding Common Shares and OP Units	32,826,734
12% of Common Shares pursuant to the 1999 and 2003 Plans	3,939,208
Common Shares pursuant to the 2006 Plan	500,000
Total Common Shares available under equity compensation plans	4,439,208
Less: Issuance of Restricted Shares Granted	(1,042,005)
Issuance of Options Granted	(2,779,162)
Number of Common Shares remaining available	618,041

(e) Share Price
Performance
Graph (1)

The following graph compares the cumulative total shareholder return for our Common Shares for the period commencing December 31, 2002 through December 31, 2007 with the cumulative total return on the Russell 2000 Index (Russell 2000), the NAREIT All Equity REIT Index (the NAREIT) and the SNL Shopping Center REITs (the SNL) over the same period. Total return values for the Russell 2000, the NAREIT, the SNL and the Common Shares were calculated based upon cumulative total return assuming the investment of \$100.00 in each of the Russell 2000, the NAREIT, the SNL and our Common Shares on December 31, 2002, and assuming reinvestment of such dividends. The shareholder return as set forth in the table below is not necessarily indicative of future performance. Comparison of 5 Year Cumulative Total Return among Acadia Realty Trust, the Russell 2000, the NAREIT and the SNL:

<i>Index</i>	<i>Period Ending</i>					
	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Acadia Realty Trust	100.00	178.76	243.71	311.77	401.39	427.32
Russell 2000	100.00	147.25	174.24	182.18	215.64	212.26
NAREIT All Equity REIT Index	100.00	137.13	180.44	202.38	273.34	230.45
SNL REIT Retail Shopping Ctr Index	100.00	141.78	192.62	210.19	282.93	232.94

(1) The information in this section is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by

reference into
any filing of the
Trust under the
Securities Act
or the Exchange
Act, whether
made before or
after the date
hereof and
irrespective of
any general
incorporation
language
contained in
such filing.

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The following table sets forth, on a historical basis, our selected financial data. This information should be read in conjunction with our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Form 10-K. Funds from operations (FFO) amounts for the year ended December 31, 2007 have been adjusted as set forth in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Reconciliation of Net Income to Funds from Operations and Adjusted Funds From Operations.

(dollars in thousands except per share amounts)	Years ended December 31,				
	2007	2006	2005	2004	2003
OPERATING DATA:					
Revenues	\$ 101,569	\$ 95,800	\$ 93,965	\$ 80,283	\$ 76,072
Operating expenses	48,617	42,734	38,453	32,884	31,521
Interest expense	22,775	20,377	16,689	14,525	13,389
Depreciation and amortization	27,506	25,361	24,697	21,607	22,537
Equity in earnings of unconsolidated partnerships	6,619	2,559	21,280	513	985
Minority interest	9,063	5,227	(13,946)	(1,462)	(4,892)
Income tax provision (benefit)	297	(508)	2,140		
Income from continuing operations	18,056	15,622	19,320	10,318	4,718
Income from discontinued operations	5,537	23,391	1,306	9,267	3,135
Income from extraordinary item (1)	3,677				
Net income	\$ 27,270	\$ 39,013	\$ 20,626	\$ 19,585	\$ 7,853
Basic earnings per share:					
Income from continuing operations	\$ 0.55	\$ 0.48	\$ 0.61	\$ 0.35	\$ 0.18
Income from discontinued operations	0.17	0.72	0.04	0.32	0.12
Income from extraordinary item	0.11				
Basic earnings per share	\$ 0.83	\$ 1.20	\$ 0.65	\$ 0.67	\$ 0.30
Diluted earnings per share:					
Income from continuing operations	\$ 0.54	\$ 0.48	\$ 0.60	\$ 0.34	\$ 0.18
Income from discontinued operations	0.17	0.70	0.04	0.31	0.11
Income from extraordinary item	0.11				
Diluted earnings per share	\$ 0.82	\$ 1.18	\$ 0.64	\$ 0.65	\$ 0.29
Weighted average number of Common Shares outstanding					
- basic	32,907	32,502	31,949	29,341	26,640
- diluted	33,309	33,153	32,214	29,912	27,232
Cash dividends declared per Common Share	\$ 1.0325	\$ 0.755	\$ 0.7025	\$ 0.6525	\$ 0.595
BALANCE SHEET DATA:					
Real estate before accumulated depreciation	\$ 854,074	\$ 650,051	\$ 670,817	\$ 561,370	\$ 504,355
Total assets	999,012	851,692	841,204	599,724	518,914
Total mortgage indebtedness	402,903	319,507	382,510	242,527	248,180

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Total convertible notes payable	115,000	100,000			
Minority interest in Operating Partnership	4,595	8,673	9,204	6,893	7,875
Minority interests in partially-owned affiliates	166,516	105,064	137,086	75,244	37,681
Total equity	240,736	241,119	220,576	216,924	169,734
OTHER:					
Funds from Operations, adjusted for extraordinary item (1) (2)	\$ 44,018	\$ 39,953	\$ 35,842	\$ 30,004	\$ 27,664
Cash flows provided by (used in):					
Operating activities	105,165	39,627	50,239	33,885	31,031
Investing activities	(208,869)	(58,890)	(135,470)	(72,860)	(76,552)
Financing activities	87,476	68,359	159,425	40,050	15,454

Notes:

(1) The extraordinary item represents the Company's share of estimated extraordinary gain related to its private-equity investment in Albertson's. The Albertson's entity has recorded an extraordinary gain in connection with the allocation of purchase price to assets acquired. The Company considers its private-equity investments to be investments in operating businesses as opposed to real estate. Accordingly, all gains and losses from private-equity investments are included in FFO, which

management believes provides a more accurate reflection of the operating performance of the Company.

- (2) The Company considers funds from operations (FFO) as defined by the National Association of Real Estate Investment Trusts (NAREIT) to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated

property and depreciation and amortization. However, the Company's method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REIT's. FFO does not represent cash generated from operations as defined by generally accepted

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accounting principles (GAAP) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company s performance or to cash flows as a measure of liquidity. Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

ITEM 7. MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

As of December 31, 2007, we operated 76 properties, which we own or have an ownership interest in, within our Core Portfolio or within our Opportunity Funds I, II and III. These properties consist of 75 commercial properties, primarily neighborhood and community shopping centers and mixed-use developments, which are located primarily in the Northeast, Mid-Atlantic and Midwestern regions of the United States and one multi-family property located in Southeast region of the United States. Our Core Portfolio consists of 34 properties comprising approximately 5.5 million square feet. Fund I has 29 properties comprising approximately 1.5 million square feet. Fund II has ten

properties, the majority of which are undergoing redevelopment and will have approximately two million square feet upon completion of redevelopment activities. The newly created Fund III has two properties, which are undergoing redevelopment and will have approximately 0.3 million square feet upon completion of redevelopment activities. The majority of our operating income derives from the rental revenues from these properties, including recoveries from tenants, offset by operating and overhead expenses. As our RCP Venture invests in operating companies, we consider these investments to be private-equity, as opposed to real estate investments. Since these are not traditional investments in operating rental real estate, the Operating Partnership invests in these through a taxable REIT subsidiary (TRS).

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

Own and operate a portfolio of community and neighborhood shopping centers and mixed-use properties with a retail component located in markets with strong demographics.

Generate internal growth within the portfolio through aggressive redevelopment, re-anchoring and leasing activities.

Generate external growth through an opportunistic yet disciplined acquisition program. The emphasis is on targeting transactions with high inherent opportunity for the creation of additional value through redevelopment and leasing and/or transactions requiring creative capital structuring to facilitate the transactions.

Partner 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.

RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2007 (2007) to the year ended December 31, 2006 (2006)

Revenues

(dollars in millions)	2007	2006	Change	
			\$	%
Minimum rents	\$ 72.1	\$ 63.6	\$ 8.5	13%
Percentage rents	0.6	1.2	(0.6)	(50)%
Expense reimbursements	13.3	14.5	(1.2)	(8)%
Other property income	1.0	0.9	0.1	11%
Management fee income	4.1	5.6	(1.5)	(27)%
Interest income	10.3	8.3	2.0	24%
Other	0.2	1.7	(1.5)	(88)%
Total revenues	\$ 101.6	\$ 95.8	\$ 5.8	6%

The increase in minimum rents was primarily attributable to additional rents following our acquisition of 200 West 54th Street, 145

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East Service Road, 2914 Third Avenue and Chestnut Hill (2006/2007 Acquisitions) as well as Liberty Avenue and 216th Street being placed in service January 1, 2007 and October 1, 2007, respectively. In addition, minimum rents increased as a result of re-tenanting activities across our portfolio.

Percentage rents decreased primarily as a result of the temporary closing of an anchor tenant at Fordham Place during the construction period in 2007.

Expense reimbursements for common area maintenance (CAM) decreased \$0.2 million. During 2007, we completed our multi-year review of CAM billings and resolved the majority of all outstanding CAM billing issues with our tenants. As a result, 2007 was adversely impacted by charges related to settlements and related adjustments totaling \$1.0 million. This was partially offset by higher CAM recovery resulting from increased snow removal costs in 2007. Real estate tax reimbursements decreased \$1.0 million, primarily as a result of lower real estate tax expense in 2007 and a \$0.4 million real estate tax charge to an anchor tenant for previous years billed during 2006.

Management fee income decreased \$1.5 million primarily as a result of lower fees earned in connection with Klaff management contracts following the disposition of certain assets in 2006 and 2007 and lower management fees from our investments in unconsolidated affiliates.

The increase in interest income was attributable to interest income on notes and other advances receivable originated in the second half of 2006 and 2007 as well as higher balances in interest earning assets in 2007.

The decrease in other income was primarily attributable to a \$1.1 million reimbursement of certain fees by the institutional investors of Fund I for the Brandywine Portfolio in 2006 as well as \$0.5 million of additional income related to termination of interest rate swap agreements.

Operating Expenses

(dollars in millions)	2007	2006	Change	
			\$	%
Property operating	\$ 15.9	\$ 12.8	\$ 3.1	24%
Real estate taxes	9.7	10.1	(0.4)	(4)%
General and administrative	23.0	19.8	3.2	16%
Depreciation and amortization	27.5	25.4	2.1	8%
Total operating expenses	\$ 76.1	\$ 68.1	\$ 8.0	12%

The increase in property operating expenses was primarily the result of the 2006/2007 Acquisitions, Liberty Avenue being placed in service January 1, 2007 and higher snow removal costs of \$1.0 million in 2007.

The decrease in real estate taxes was due to tax refunds and adjustments of estimates of \$0.6 million recorded in 2007 and \$0.6 million related to the capitalization of construction period real estate taxes at a property that was operating in 2006. These decreases were offset by increased real estate tax expense of \$0.8 million following the 2006/2007 Acquisitions as well as general increases across the portfolio.

The variance in general and administrative expense was attributable to increased compensation expense, including share based compensation of \$4.7 million for additional personnel hired in the second half of 2006 and in 2007 as well as increases in existing employee salaries. In addition, there was an increase of \$0.7 million for other overhead expenses following the expansion of our infrastructure related to increased fund investments and asset management services. These factors were partially offset by an increase in capitalized construction salaries due to higher redevelopment activities in 2007.

Depreciation expense increased \$1.3 million in 2007. This was principally a result of increased depreciation expense following the 2006/2007 Acquisitions and Liberty Avenue and 216th Street being placed in service during 2007.

Amortization expense increased \$0.8 million in 2007. This was primarily attributable to increased amortization of loan costs following our convertible debt issuances in December 2006 and January 2007 as well as increased amortization of loan costs from financing activity in late 2006 and 2007.

Other

(dollars in millions)	2007	2006	Change	
			\$	%
Equity in earnings of unconsolidated affiliates	\$ 6.6	\$ 2.6	\$ 4.0	153%
Interest expense	(22.8)	(20.4)	(2.4)	(12)%
Minority interest	9.1	5.2	3.9	75%
Income taxes	0.3	(0.5)	(0.8)	(160)%
Income from discontinued operations	5.5	23.4	(17.9)	(76)%
Extraordinary item	3.7		3.7	100%

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Equity in earnings of unconsolidated affiliates increased as a result of our distributions in excess of our invested capital from both our Albertson's investment of \$2.4 million and our investment in Hitchcock Plaza of \$2.4 million. These increases were offset by a decrease in our pro rata share of earnings from our Mervyns investment of \$1.3 million.

Interest expense increased \$2.4 million in 2007. This was the result of a \$4.9 million increase attributable to higher average outstanding borrowings in 2007 and \$0.4 million of costs associated with a loan payoff in 2007. These increases were offset by a \$2.9 million decrease resulting from a lower average interest rate on the portfolio mortgage debt in 2007.

The variance in minority interest is primarily attributable to the minority partners' share of increased fund level fees partially offset by \$2.6 million representing the minority partners' share of the income reported from the equity in earnings of unconsolidated affiliates.

The variance in income tax expense primarily relates to income tax on our share of income and losses from Albertson's and Mervyns.

Income from discontinued operations represents activity related to properties sold in 2007 and 2006.

The extraordinary gain in 2007 relates to our share of the extraordinary gain, net of income taxes and minority interest, from our Albertson's investment. This gain was characterized as extraordinary consistent with the accounting treatment by Albertson's which reflected the excess of fair value of net assets acquired over the purchase price as an extraordinary gain.

Comparison of the year ended December 31, 2006 (2006) to the year ended December 31, 2005 (2005)

The Brandywine Portfolio operations were consolidated as part of Fund I for the year ended December 31, 2005. Subsequent to the recapitalization and conversion of interests from Fund I to GDC in January 2006, the Brandywine Portfolio is accounted for under the equity method of accounting for the year ended December 31, 2006. In the following tables, we have excluded the Brandywine Portfolio operations for the year ended December 31, 2005 for purposes of comparability with the year ended December 31, 2006.

Revenues

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted	
					\$	%
Minimum rents	\$ 63.6	\$ 69.4	\$ (14.0)	\$ 55.4	\$ 8.2	15%
Percentage rents	1.2	1.3	(0.6)	0.7	0.5	71%
Expense reimbursements	14.5	14.4	(2.2)	12.2	2.3	19%
Other property income	0.9	2.0	(0.2)	1.8	(0.9)	(50)%
Management fee income	5.6	3.6	0.5	4.1	1.5	37%
Interest income	8.3	3.3		3.3	5.0	152%
Other	1.7				1.7	100%
Total revenues	\$ 95.8	\$ 94.0	\$ (16.5)	\$ 77.5	\$ 18.3	24%

The increase in minimum rents was attributable to additional rents following our acquisition of Chestnut Hill, Clark Diversey, A&P Shopping Plaza, 2914 Third Avenue and Boonton Shopping Center (60% owned) as well as Fund II acquisitions of Sherman Avenue and 161st Street in New York and a leasehold interest in Chicago (2005/2006 Acquisitions).

Expense reimbursements for both CAM and real estate taxes increased in 2006. CAM expense reimbursements increased \$0.5 million as a result of higher tenant reimbursements following the 2005/2006 Acquisitions, offset by a decrease in tenant reimbursements as a result of lower snow removal costs in 2006. Real estate tax reimbursements increased \$1.8 million, primarily as a result of the 2005/2006 Acquisitions, as well as general increases in real estate taxes across the portfolio.

The decrease in other property income was the result of receipt of a bankruptcy claim settlement against a former tenant in 2005.

Management fee income increased primarily as a result of fees earned in connection with the acquisition of the Klaff management contract rights in February 2005 and additional management fees earned from our investments in unconsolidated affiliates.

The increase in interest income was attributable to interest income on our advances and notes receivable originated in 2005 and 2006, as well as higher balances in interest earning assets in 2006.

Other income increased as a result of a \$1.1 million reimbursement of the Company's share of certain fees incurred by the institutional investors of Fund I for the Brandywine Portfolio, as well as \$0.5 million related to the termination of an interest rate swap in 2006.

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(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted	
					\$	%
Property operating	\$ 12.8	\$ 13.3	\$ (3.4)	\$ 9.9	\$ 2.9	29%
Real estate taxes	10.1	9.0	(0.8)	8.2	1.9	23%
General and administrative	19.8	16.2		16.2	3.6	22%
Depreciation and amortization	25.4	24.7	(2.6)	22.1	3.3	15%
						%
Total operating expenses	\$ 68.1	\$ 63.2	\$ (6.8)	\$ 56.4	\$ 11.7	\$ 21%

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

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

The increase in general and administrative expense was primarily attributable to increased compensation expense of \$2.7 million, including stock-based compensation of \$0.9 million, and \$0.9 million of other overhead expenses following the expansion of our infrastructure related to increased investment in development-intensive projects in Fund assets and asset management services.

Depreciation expense increased \$1.4 million in 2006. This was principally a result of increased depreciation expense related to the 2005/2006 Acquisitions. Amortization expense increased \$1.9 million, which was primarily the combination of an increase in amortization related to the 2005/2006 Acquisitions, specifically, amortization of tenant installation costs of \$1.0 million, amortization of leasehold interest of \$0.5 million and amortization of loan costs of \$0.2 million. In addition, amortization expense increased \$0.2 million related to the write off of certain Klaff management contracts following the disposition of certain related assets in 2006.

Other

(dollars in millions)	2006	2005 As Reported	Brandywine Portfolio	2005 Adjusted	Change from 2005 Adjusted	
					\$	%
Equity in earnings of unconsolidated affiliates	\$ 2.6	\$ 21.3	\$ 0.9	\$ 22.2	\$ (19.6)	(88)%
Interest expense	(20.4)	(16.7)	3.7	(13.0)	(7.4)	(57)%
Minority interest	5.2	(13.9)	5.1	(8.8)	14.0	159%
Income taxes	(0.5)	2.1		2.1	2.6	124%
Income from discontinued operations	\$ 23.4	1.3		1.3	22.1	1700%

Equity in earnings of unconsolidated affiliates decreased during 2006 primarily as a result of the gains recognized from the sale of Mervyns assets in 2005.

Interest expense increased \$7.4 million as a result of higher average outstanding borrowings in 2006.

Minority interest variance is attributable to the minority partner's share of gains from the sale of Mervyns assets in 2005.

The variance in income tax expense relates to taxes at the taxable REIT subsidiary (TRS) level on our share of gains from the sale of Mervyns locations during 2005.

Income from discontinued operations represents activity related to properties sold in 2007, 2006 and 2005.

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(dollars in thousands)	For the Years Ended December 31,				
	2007	2006	2005	2004	2003
Net income	\$ 27,270	\$ 39,013	\$ 20,626	\$ 19,585	\$ 7,853
Depreciation of real estate and amortization of leasing costs:					
Consolidated affiliates, net of minority interests share	19,669	20,206	16,676	16,026	18,421
Unconsolidated affiliates	1,736	1,806	746	714	643
Income attributable to minority interest in operating partnership (1)	614	803	416	375	747
Gain on sale of properties	(5,271)	(21,875)	(2,622)	(6,696)	
Extraordinary item (net of minority interests share and income taxes) (3)	(3,677)				
Funds from operations (2)	40,341	39,953	35,842	30,004	27,664
Add back: Extraordinary item, net (3)	3,677				
Funds from operations, adjusted for extraordinary item	\$ 44,018	\$ 39,953	\$ 35,842	\$ 30,004	\$ 27,664

Notes:

- (1) Represents income attributable to Common Operating Partnership Units and does not include distributions paid to Series A and B Preferred OP Unitholders.
- (2) The Company considers funds from operations (FFO) as defined by the National Association of Real Estate Investment Trusts

(NAREIT) to be an appropriate supplemental disclosure of operating performance for an equity REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the operating performance, such as gains (losses) from sales of depreciated property and depreciation and amortization. However, the Company's method of calculating FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent cash generated from

operations as defined by generally accepted accounting principles (GAAP) and is not indicative of cash available to fund all cash needs, including distributions. It should not be considered as an alternative to net income for the purpose of evaluating the Company s performance or to cash flows as a measure of liquidity.

Consistent with the NAREIT definition, the Company defines FFO as net income (computed in accordance with GAAP), excluding gains (losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

- (3) The extraordinary item represents the Company s share of estimated

extraordinary gain related to its private-equity investment in Albertson's. The Albertson's entity has recorded an extraordinary gain in connection with the allocation of purchase price to assets acquired. The Company considers its private-equity investments to be investments in operating businesses as opposed to real estate.

Accordingly, all gains and losses from private-equity investments are included in FFO, which management believes provides a more accurate reflection of the operating performance of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Uses of Liquidity

Our principal uses of liquidity are expected to be for (i) distributions to our shareholders and OP unit holders, (ii) investments which include the funding of our capital committed to our opportunity funds, property acquisitions and redevelopment/re-tenanting activities within our existing portfolio and (iii) debt service and loan repayments.

Distributions

In order to qualify as a REIT for Federal income tax purposes, we must currently distribute at least 90% of our taxable income to our shareholders. For the first three quarters during 2007, we paid a quarterly dividend of \$0.20 per Common Share and Common OP Unit. In December of 2007, our Board of Trustees approved and declared an 5.0% increase in our quarterly dividend to \$0.21 per Common Share and Common OP Unit for the fourth quarter of 2007, which was paid January 15, 2008. In addition, in December of 2007, our Board of Trustees approved a special

dividend of \$0.2225 per Common Share in connection with taxable gains arising from property dispositions that was paid on January 15, 2008 to the shareholders of record as of December 31, 2007.

Fund I and Mervyns I

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

On January 4, 2006, we recapitalized a one million square foot retail portfolio located in Wilmington, Delaware (Brandywine Portfolio) through a merger of interests with affiliates of GDC Properties (GDC). The Brandywine Portfolio was recapitalized through a cash out merger of the 77.8% interest, which was previously held by the institutional investors in Fund I (the Investors) to affiliates of GDC at a valuation of \$164.0 million. The Operating Partnership, through a subsidiary, retained our existing 22.2%

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interest and continues to operate the Brandywine Portfolio and earn fees for such services. At the closing, the Investors, excluding the Operating Partnership, received a return of all their capital invested in Fund I and preferred return, thus triggering the Operating Partnership's Promote distribution in all future Fund I distributions and increasing the Operating Partnership's interest in cash flow and income from 22.2% to 37.8% as a result of the Promote. In June 2006, the Investors received \$36.0 million of additional proceeds from this transaction following the replacement of bridge financing provided by them with permanent mortgage financing.

As of December 31, 2007, Fund I has a total of 29 properties totaling 1.5 million square feet as further discussed in **PROPERTY ACQUISITIONS** in Item 1 of this Form 10-K.

Fund II and Mervyns II

On June 15, 2004, we closed our second opportunity fund, Fund II, and during August 2004, formed Mervyns II with the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II and Mervyns II combined expect to be able to acquire up to \$900.0 million of real estate assets on a leveraged basis. The Operating Partnership is the managing member with a 20% interest in the joint venture. The terms and structure of Fund II are substantially the same as Fund I with the exceptions that the preferred return is 8%. As of December 31, 2007, \$182.0 million had been contributed to Fund II, of which the Operating Partnership's share is \$36.4 million.

Fund II has invested in the RCP Venture and the New York Urban/Infill Redevelopment initiatives and other investments as further discussed in **PROPERTY ACQUISITIONS** in Item 1 of this Form 10-K.

RCP Venture

The following table summarizes the RCP Venture investments from inception through December 31, 2007:

(dollars in millions) Investor	Investment	Year acquired	Invested capital	Distributions	Operating Partnership Share	
					Invested capital	Distributions
Mervyns I and Mervyns II	Mervyns	2004	\$ 26.1	\$ 46.0	\$ 4.9	\$ 11.3
Mervyns I and Mervyns II	Mervyns add-on investments	2005	1.3	1.3	0.3	0.3
Mervyns II	Albertson's	2006	20.7	53.2	4.2	9.8
Mervyns II	Albertson's add-on investments	2006/2007	2.8	0.8	0.4	0.1
Fund II	Shopko	2006	1.1	1.1	0.2	0.2
Fund II	Marsh	2006	0.7	¾	0.1	¾
Mervyns II	Rex	2007	2.7	¾	0.5	¾
Total			\$ 55.4	\$ 102.4	\$ 10.6	\$ 21.7

New York Urban/ Infill Redevelopment Initiative

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

P/A is obligated to return a portion of its previous distributions, as defined, until Fund II has received an 18% IRR. To date, Fund II has invested in nine projects, eight of which are in conjunction with P/A, as follows:

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Property	Location	Year acquired	Purchase price	Redevelopment (dollars in millions)		Square feet upon completion
				Anticipated additional costs	Estimated completion	
Liberty Avenue (1) (2)	Queens	2005	\$ 14.5	\$	Completed	125,000
216 th Street(3)	Manhattan	2005	27.5		Completed	60,000
Pelham Manor Shopping Center (1)	Westchester	2004		45.0	2 nd half 2008	320,000
161 st Street	Bronx	2005	49.0	16.0	1 st half 2009	232,000
400 East Fordham Road	Bronx	2004	30.0	90.0	1 st half 2009	285,000
Canarsie Plaza	Brooklyn	2007	21.0	49.0	1 st half 2009	323,000
4650 Broadway	Manhattan	2005	25.0	30.0	2 nd half 2009	216,000
CityPoint (1)	Brooklyn	2007	29.0	296.0	(4)	600,000
Atlantic Avenue	Brooklyn	2007	5.0	18.0	2 nd half 2009	110,000
Total			\$ 201.0 (1)	\$ 544.0		2,271,000

Notes:

- (1) Fund II acquired a ground lease interest at this property.
- (2) Liberty Avenue redevelopment is complete. The purchase price includes redevelopment costs of \$14.5 million.
- (3) 216th Street redevelopment is complete. The purchase price includes redevelopment costs of \$20.5 million.
- (4) To be determined.

Fund III

In May 2007, we closed on our third opportunity fund, Fund III with fourteen institutional investors, including a majority of the investors from Fund I and Fund II. With \$503.0 million of committed discretionary capital, Fund III expects to be able to acquire or develop approximately \$1.5 billion of assets on a leveraged basis. The Operating Partnership's share of the committed capital is \$100.0 million and it is the sole managing member with a 19.9% interest in Fund III. The terms and structure of Fund III are substantially the same as the previous Funds, including the Promote structure, with the exception that the Preferred Return is 6%.

Fund III has invested in the New York Urban/Infill Redevelopment initiatives and another investment as further discussed in **PROPERTY ACQUISITIONS** in Item 1 of this Form 10-K. The projects are as follows:

Property	Location	Year acquired	Purchase price	Redevelopment (dollars in millions)		
				Anticipated additional costs	Estimated completion	Square feet upon completion
Sheepshead Bay	Brooklyn	2007	\$ 20.0	\$ 89.0	(1)	240,000
Main Street	Westport CT	2007	17.0	6.0	(1)	30,000
Total			\$ 37.0	\$ 95.0		270,000

(1) To be determined.

Other Investments

During 2005, 2006 and 2007, we made the following other core portfolio investments as further discussed in **PROPERTY ACQUISITIONS** in Item 1 of this Form 10-K:

- (i) \$16.8 million in Amboy Road
- (ii) \$9.8 million for Clark/Diversey
- (iii) \$3.2 million for Boonton Shopping Center
- (iv) \$16.0 million for Chestnut Hill and
- (v) \$18.5 million for 2914 Third Avenue
- (vi) \$36.4 million for West 54th Street
- (vii) \$17.0 million for East Service Road

Property Development, Redevelopment and Expansion

Our redevelopment program focuses on selecting well-located neighborhood and community shopping centers and creating significant value through re-tenanting and property redevelopment.

During 2006, we commenced the redevelopment and re-tenanting of the Bloomfield Town Square, located in Bloomfield Hills, Michigan. A former outparcel building, occupied by Chrysler Dodge, was demolished and replaced with a 17,500 square foot building

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occupied by Drexel Heritage and Panera Bread. The new tenants opened and commenced paying rent during the third and fourth quarters of 2006, and are paying base rent at a 127% increase over that of Chrysler Dodge. In addition, we have re-tenanted approximately 26,000 square feet to Circuit City, which commenced paying rent in September of 2007 at a 79% increase over that of the former tenants. Total costs for this project was \$4.6 million.

Additionally, for the year ended December 31, 2007, we currently estimate that capital outlays of approximately \$2.5 million to \$3.5 million will be required for tenant improvements, related renovations and other property improvements.

Share Repurchase

Repurchases of our Common Shares is an additional use of liquidity as discussed in Item 5 of this Form 10-K.

SOURCES OF LIQUIDITY

We intend on using Fund II and Fund III as well as new funds that we may establish in the future, as the primary vehicles for our future acquisitions, including investments in the RCP Venture and New York Urban/Infill Redevelopment initiative. Additional sources of capital for funding property acquisitions, development, redevelopment, expansion, re-tenanting, tenanting, RCP investments and New York Urban/Infill are expected to be obtained primarily from (i) the issuance of public equity or debt instruments, (ii) cash on hand, (iii) additional debt financings, (iv) unrelated member capital contributions and (v) future sales of existing properties. As of December 31, 2007, we had a total of approximately \$202.3 million of additional capacity under existing debt facilities, cash and cash equivalents on hand of \$123.3 million, and ten properties that are unencumbered and available as potential collateral for future borrowings. In addition, during 2007, we, through our RCP Venture, received cash distributions totaling approximately \$53.2 million from our ownership position in Albertsons. The Operating Partnership's share of these distributions amounted to approximately \$10.0 million. We anticipate that cash flow from operating activities will continue to provide adequate capital for all of our debt service payments, recurring capital expenditures and REIT distribution requirements. On January 5, 2006, we made a distribution of \$42.7 million utilizing a \$42.7 million distribution we received from an unconsolidated affiliate on December 29, 2005.

Issuance of Convertible Notes

During December of 2006 and January of 2007, we issued \$115.0 million of 3.75% Convertible Notes. These notes were issued at par and are due in 2026. The \$112.1 million in proceeds, net of related costs, were used to retire variable rate debt, fund capital commitments and general company purposes.

Shelf Registration Statements and Issuance of Equity

During January 2007, we filed a shelf registration on Form S-3 providing offerings for up to a total of \$300.0 million of Common Shares, Preferred Shares and debt securities. To date, we have not issued any securities pursuant to this shelf registration.

In addition, we have \$46.7 million of remaining capacity to issue equity under the shelf registration statement we filed in November 2004.

Financing and Debt

At December 31, 2007, mortgage and convertible notes payable aggregated \$517.0 million, net of unamortized premium of \$0.9 million, and were collateralized by 49 properties and related tenant leases. Interest rates on our outstanding indebtedness ranged from 3.75% to 8.5% with maturities that ranged from March 2008 to November 2032. Taking into consideration \$34.3 million of notional principal under variable to fixed-rate swap agreements currently in effect, as of December 31, 2007 \$401.4 million of the portfolio, or 78%, was fixed at a 5.2% weighted average interest rate and \$115.6 million, or 22% was floating at a 6.0% weighted average interest rate. There is \$92.2 million of debt maturing in 2008 at weighted average interest rates of 5.8%. We intend to refinance the indebtedness or select other alternatives based on market conditions at that time.

Reference is made to Note 7 and Note 8 in the Notes to Consolidated Financial Statements included in this Form 10-K for a summary of the financing and refinancing transactions since December 31, 2006.

Asset Sales

Asset sales are an additional source of liquidity for us. During December of 2007, we sold an apartment complex in Columbia Missouri and during November and December of 2006, we sold the Soundview Marketplace, Bradford Towne Center, Greenridge Plaza, Luzerne Street Shopping Center and Pittston Plaza. During 2005 we sold the Berlin

Shopping Center. These sales are discussed in ASSET SALES AND CAPITAL/ASSET RECYCLING in Item 1 of this Form 10-K.

Table of Contents**CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS**

At December 31, 2007, maturities on our mortgage notes ranged from March 2008 to November 2032. In addition, we have non-cancelable ground leases at seven of our shopping centers. We lease space for our White Plains corporate office for a term expiring in 2015. The following table summarizes our debt maturities and obligations under non-cancelable operating leases of December 31, 2007:

Contractual obligation: (dollars in millions)	Total	Payments due by period			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Future debt maturities	\$ 517.0	\$ 92.2	\$ 64.9	\$ 143.1	\$ 216.8
Interest obligations on debt	146.1	23.7	40.0	31.4	51.0
Operating lease obligations	126.7	3.9	10.2	11.2	101.4
Total	\$ 789.8	\$ 119.8	\$ 115.1	\$ 185.7	\$ 369.2

During May of 2007, we closed on our third opportunity fund, Fund III. The Operating Partnership's share of Fund III's \$503.0 million committed capital is \$100.0 million.

In conjunction with the redevelopment of our core portfolio and opportunity fund properties, we have entered into construction commitments aggregating approximately \$47.8 million with general contractors as of December 31, 2007.

OFF BALANCE SHEET ARRANGEMENTS

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

The Operating Partnership owns a 49% interest in two partnerships which own the Crossroads Shopping Center (Crossroads). The Operating Partnership's pro rata share of Crossroads mortgage debt was \$31.4 million as of December 31, 2007. This fixed-rate debt bears interest at 5.4% and matures in December 2014.

The Operating Partnership owns a 22.2% investment in various entities which own the Brandywine Portfolio. The Operating Partnership's pro-rata share of Brandywine debt was \$36.9 million as of December 31, 2007 with a fixed interest rate of 5.99%. These loans mature on July 1, 2016.

The Operating Partnership has a 4.9% interest in CityPoint, a Fund II investment, of which the Operating Partnership's pro-rata share of mortgage debt (net of Fund II minority interest share), was \$1.7 million as of December 31, 2007. This loan bears interest at LIBOR plus 120 basis points and matures on June 13, 2008.

The Operating Partnership has an 18.9% interest in two Fund I investments of which the Operating Partnership's pro-rata share of mortgage debt (net of the Fund I minority interest share), was \$3.2 million as of December 31, 2007. These loans carry a weighted average interest rate of 6.21% and both loans mature during August 2010.

In addition, we have arranged for the provision of five separate letters of credit in connection with certain leases and investments. As of December 31, 2007, there were no outstanding balances under any of the letters of credit. If the letters of credit were fully drawn, the combined maximum amount of exposure would be \$12.2 million.

HISTORICAL CASH FLOW

The following table compares the historical cash flow for the year ended December 31, 2007 (2007) with the cash flow for the year ended December 31, 2006 (2006).

	Years Ended December 31,		
	2007	2006	Variance
(dollars in millions)			
Net cash provided by operating activities	\$ 105.2	\$ 39.6	\$ 64.5
Net cash used in investing activities	(208.9)	(58.9)	(150.0)
Net cash provided by financing activities	87.5	68.4	20.2
Totals	\$ (16.2)	\$ 49.1	\$ (65.3)

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A discussion of the significant changes in cash flow for 2007 versus 2006 is as follows:

The variance in net cash provided by operating activities resulted from an increase of \$23.5 million in operating income before non-cash expenses in 2007, which was primarily due to the increase of \$33.4 million in distributions of operating income from unconsolidated affiliates as a result of the distributions from Albertson's in 2007 as well as those factors discussed in this Item 7. In addition, a net increase in cash of \$42.1 million resulted from changes in operating assets and liabilities, primarily other assets, that was the result of the repayment of notes relating to certain transactions in 2007 as well as an increase in accrued expenses and other liabilities.

The increase in net cash used in investing activities resulted from \$118.0 million of additional expenditures for real estate acquisitions, development and tenant installations in 2007, \$12.1 million of additional investments in unconsolidated affiliates, primarily CityPoint, in 2007, \$9.9 million of additional collections of notes receivable in 2006 as well as an additional \$18.8 million of proceeds from sales in 2006 and the repayment of \$19.0 million of our preferred equity investment in 2006. These net increases were offset by \$29.6 million of additional notes receivable originated in 2006.

The increase in net cash provided by financing activities resulted from an increase of \$65.8 million of contributions from partners and members and minority interests in partially-owned affiliates in 2007, as well as additional cash of \$62.6 million from borrowings in 2007. These increases were offset by an additional \$85.0 million in cash received from the issuance of convertible debt in 2006 and an additional \$27.3 million of distributions to partners and members in 2007.

CRITICAL ACCOUNTING POLICIES

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

Valuation of Property Held for Use and Sale

On a quarterly basis, we review the carrying value of both properties held for use and for sale. We perform the impairment analysis by calculating and reviewing net operating income on a property-by-property basis, we evaluate leasing projections and perform other analyses to conclude whether an asset is impaired. We record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where we do not expect to recover our carrying costs on properties held for use, we reduce our carrying cost to fair value. For properties held for sale, we reduce our carrying value to the fair value less costs to sell. For the years ended December 31, 2007 and 2006, no impairment losses were recognized. For the year ended December 31, 2005, an impairment loss of \$0.8 million was recognized related to a property that was sold in July of 2005. Management does not believe that the value of any properties in its portfolio was impaired as of December 31, 2007 or 2006.

Bad Debts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make payments on arrearages in billed rents, as well as the likelihood that tenants will not have the ability to make payment on unbilled rents including estimated expense recoveries and straight-line rent. As of December 31, 2007, we had recorded an allowance for doubtful accounts of \$3.1 million. If the financial condition of our tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Real Estate

Real estate assets are stated at cost less accumulated depreciation. Expenditures for acquisition, development, construction and improvement of properties, as well as significant renovations are capitalized. Interest costs are capitalized until construction is substantially complete. Construction in progress includes costs for significant property expansion and redevelopment. Depreciation is computed on the straight-line basis over estimated useful lives of 30 to

40 years for buildings, the shorter of the useful life or lease term for tenant improvements and five years for furniture, fixtures and equipment. Expenditures for maintenance and repairs are charged to operations as incurred. Upon acquisitions of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets , and allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and

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market/economic conditions that may affect the property.

Revenue Recognition and Accounts and Notes Receivable

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases, beginning when the tenant takes possession of the space. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rent is recognized in the period when the tenants' sales breakpoint is met. In addition, leases typically provide for the reimbursement to the Company of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the expenses are incurred.

The Company makes estimates of the uncollectability of its accounts receivable related to tenant revenues. An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Once the amount is ultimately deemed to be uncollectible, it is written off.

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

The Company reviews notes receivable on a quarterly basis to determine collectability.

INFLATION

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Reference is made to the Notes to Consolidated Financial Statements which begins on page F-1 of this Form 10-K.

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

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

Currently, we manage our exposure to fluctuations in interest rates primarily through the use of fixed-rate debt and interest rate swap agreements. As of December 31, 2007, we had total mortgage debt of \$517.0 million of which \$401.4 million, or 78%, was fixed-rate, inclusive of interest rate swaps, and \$115.6 million, or 22%, was variable-rate based upon LIBOR plus certain spreads. As of December 31, 2007, we were a party to four interest rate swap transactions and one interest rate cap transaction to hedge our exposure to changes in interest rates with respect to \$34.3 million and \$30.0 million of LIBOR-based variable-rate debt, respectively.

The following table sets forth information as of December 31, 2007 concerning our long-term debt obligations, including principal cash flows by scheduled maturity and weighted average interest rates of maturing amounts (dollars in millions):

Consolidated mortgage debt:

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2008	\$ 6.0	\$ 86.2	\$ 92.2	5.8%
2009	6.1	47.3	53.4	6.3%
2010	1.7	9.8	11.5	6.1%
2011	2.1	129.8	131.9	4.0%
2012	2.2	9.0	11.2	5.9%
Thereafter	16.4	200.4	216.8	5.6%

\$ 34.5 \$ 482.5 \$ 517.0

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

Year	Scheduled amortization	Maturities	Total	Weighted average interest rate
2008	\$ 0.4	\$ 1.7	\$ 2.1	5.8%
2009	0.5		0.5	5.4%
2010	0.5	3.1	3.6	6.1%
2011	0.5		0.5	5.4%
2012	0.5		0.5	5.4%
Thereafter	1.6	64.3	65.9	5.7%
	\$ 4.0	\$ 69.1	\$ 73.1	

Of our total consolidated and our pro-rata share of unconsolidated outstanding debt, \$94.3 million and \$53.9 million will become due in 2008 and 2009, respectively. As we intend on refinancing some or all of such debt at the then-existing market interest rates which may be greater than the current interest rate, our interest expense would increase by approximately \$1.4 million annually if the interest rate on the refinanced debt increased by 100 basis points. Interest expense on our variable debt of \$115.6 million as of December 31, 2007 would increase \$1.2 million if LIBOR increased by 100 basis points. We may seek additional variable-rate financing if and when pricing and other commercial and financial terms warrant. As such, we would consider hedging against the interest rate risk related to such additional variable-rate debt through interest rate swaps and protection agreements, or other means.

Based on our outstanding debt balances as of December 31, 2007, the fair value of our total outstanding debt would decrease by approximately \$19.0 million if interest rates increase by 1%. Conversely, if interest rates decrease by 1%, the fair value of our total outstanding debt would increase by approximately \$20.4 million.

As of December 31, 2007 and 2006, we had notes receivable of \$57.7 million and \$36.0 million, respectively. Given the short term nature of the notes and the fact that several of the notes are demand notes, we have determined that the carrying value of the notes receivable approximates fair value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements beginning on page F-1 are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.**(i) Disclosure Controls and Procedures**

We conducted an evaluation, under the supervision and with the participation of management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(ii) Internal Control Over Financial Reporting**(a) Management's Annual Report on Internal Control Over Financial Reporting**

Management of Acadia Realty Trust is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of

December 31, 2007 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2007 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

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BDO Seidman, LLP, an independent registered public accounting firm that audited our Financial Statements included in this Annual Report, has issued an attestation report on our internal control over financial reporting as of December 31, 2007, which appears in paragraph (b) of this Item 9A.

Acadia Realty Trust
White Plains, New York
February 29, 2008

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

The Shareholders and Trustees of
Acadia Realty Trust

We have audited Acadia Realty Trust and subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Acadia Realty Trust and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Acadia Realty Trust and subsidiaries maintained in all material respects effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acadia Realty Trust and subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 and our report dated February 29, 2008 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP
New York, New York
February 29, 2008

(c) Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None

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PART III

In accordance with the rules of the SEC, certain information required by Part III is omitted and is incorporated by reference into this Form 10-K from our definitive proxy statement relating to our 2008 annual meeting of stockholders (our 2008 Proxy Statement) that we intend to file with the SEC no later than April 29, 2008.

ITEM 10. DIRECTORS; EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information under the following headings in the 2008 Proxy Statement is incorporated herein by reference:

PROPOSAL 1 ELECTION OF TRUSTEES

MANAGEMENT

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

ITEM 11. EXECUTIVE COMPENSATION.

The information under the following headings in the 2008 Proxy Statement is incorporated herein by reference:

ACADIA REALTY TRUST COMPENSATION COMMITTEE REPORT

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE AND TRUSTEE COMPENSATION

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

The information under the heading SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT in the 2008 Proxy Statement is incorporated herein by reference.

The information under Item 5 under the heading (d) Securities authorized for issuance under equity compensation plans is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information under the following headings in the 2008 Proxy Statement is incorporated herein by reference:

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PROPOSAL 1 ELECTION OF TRUSTEES Trustee Independence

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information under the heading AUDIT COMMITTEE INFORMATION in the 2008 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. *Financial Statements*: See Index to Financial Statements at page F-1 below.

2. *Financial Statement Schedule*: See Schedule III Real Estate and Accumulated Depreciation at page F-38 below.

3. *Exhibits*:

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Exhibit No.	Description
3.1	Declaration of Trust of the Company, as amended (1)
3.2	Fourth Amendment to Declaration of Trust (4)
3.3	Amended and Restated By-Laws of the Company (22)
4.1	Voting Trust Agreement between the Company and Yale University dated February 27, 2002 (14)
10.1	1999 Share Option Plan (8) (21)
10.2	2003 Share Option Plan (16) (21)
10.3	Form of Share Award Agreement (17) (21)
10.4	Form of Registration Rights Agreement and Lock-Up Agreement (18)
10.5	Registration Rights and Lock-Up Agreement (RD Capital Transaction) (11)
10.6	Registration Rights and Lock-Up Agreement (Pacesetter Transaction) (11)
10.7	Contribution and Share Purchase Agreement dated as of April 15, 1998 among Mark Centers Trust, Mark Centers Limited Partnership, the Contributing Owners and Contributing Entities named therein, RD Properties, L.P. VI, RD Properties, L.P. VIA and RD Properties, L.P. VIB (9)
10.8	Agreement of Contribution among Acadia Realty Limited Partnership, Acadia Realty Trust and Klaff Realty, LP and Klaff Realty, Limited (18)
10.9	Employment agreement between the Company and Kenneth F. Bernstein dated October 1998 (6) (21)
10.11	Amendment to employment agreement between the Company and Kenneth F. Bernstein dated January 19, 2007 (26) (21)
10.12	First Amendment to Employment Agreement between the Company and Kenneth Bernstein dated as of January 1, 2001 (12) (21)
10.14	Letter of employment offer between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
10.15	Severance Agreement between the Company and Joel Braun, Sr. Vice President, dated April 6, 2001 (13) (21)
10.16	Severance Agreement between the Company and Joseph Hogan, Sr. Vice President, dated April 6, 2001 (13) (21)

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- 10.17 Severance Agreement between the Company and Joseph Napolitano, Sr. Vice President dated April 6, 2001 (18) (21)
- 10.18 Severance Agreement between the Company and Robert Masters, Sr. Vice President and General Counsel dated January 2001 (18) (21)
- 10.19 Severance Agreement between the Company and Michael Nelsen, Sr. Vice President and Chief Financial Officer dated February 19, 2003 (15) (21)
- 10.20 Secured Promissory Note between RD Absecon Associates, L.P. and Fleet Bank, N.A. dated February 8, 2000 (7)
- 10.21 Promissory Note between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)

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Exhibit No.	Description
10.22	Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement between 239 Greenwich Associates, L.P. and Greenwich Capital Financial Products, Inc. dated May 30, 2003 (18)
10.23	Promissory Note between Merrillville Realty, L.P. and Sun America Life Insurance Company dated July 7, 1999 (7)
10.24	Secured Promissory Note between Acadia Town Line, LLC and Fleet Bank, N.A. dated March 21, 1999 (7)
10.25	Promissory Note between RD Village Associates Limited Partnership and Sun America Life Insurance Company Dated September 21, 1999 (7)
10.26	First Amendment to Severance Agreements between the Company and Joel Braun Executive Vice President and Chief Investment Officer, Michael Nelsen, Senior Vice President and Chief Financial Officer, Robert Masters, Senior Vice President, General Counsel, Chief Compliance Officer and Secretary and Joseph Hogan, Senior Vice President and Director of Construction dated January 19, 2007 (21) (26)
10.33	Term Loan Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.34	Mortgage Agreement between Acadia Realty L.P. and The Dime Savings Bank of New York, dated March 30, 2000 (10)
10.44	Prospectus Supplement Regarding Options Issued under the Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan (19) (21)
10.45	Acadia Realty Trust 1999 Share Incentive Plan and 2003 Share Incentive Plan Deferral and Distribution Election Form (19) (21)
10.46	Amended, Restated And Consolidated Promissory Note between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
10.47	Amended, Restated And Consolidated Mortgage, Assignment Of Leases And Rents And Security Agreement between Acadia New Loudon, LLC and Greenwich Capital Financial Products, Inc. dated August 13, 2004 (19)
10.51	Mortgage, Assignment of Leases and Rents and Security Agreement between Acadia Crescent Plaza, LLC and Greenwich Capital Financial Products, Inc. dated August 31, 2005 (22)
10.52	Mortgage, Assignment of Leases and Rents and Security Agreement between Pacesetter/Ramapo Associates and Greenwich Capital Financial Products, Inc. dated October 17, 2005 (22)
10.53	Loan Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)

- 10.54 Mortgage and Security Agreement between RD Elmwood Associates, L.P. and Bear Stearns Commercial Finance Mortgage, Inc. dated December 9, 2005 (22)
- 10.55 Agreement and Plan Of Merger Dated as of December 22, 2005 by and among Acadia Realty Acquisition I, LLC, Ara Btc LLC, ARA MS LLC, ARA BS LLC, ARA BC LLC and ARA BH LLC, Acadia Investors, Inc., AII BTC LLC, AII MS LLC, AII BS LLC, AII BC LLC And AII BH LLC, Samuel Ginsburg 2000 Trust Agreement #1, Martin Ginsburg 2000 Trust Agreement #1, Martin Ginsburg, Samuel Ginsburg and Adam Ginsburg, and GDC SMG, LLC, GDC Beechwood, LLC, Aspen Cove Apartments, LLC and SMG Celebration, LLC (23)

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Exhibit No.	Description
10.56	Amended and Restated Loan Agreement between Acadia Realty Limited Partnership, as lender, and Levitz SL Woodbridge, L.L.C., Levitz SL St. Paul, L.L.C., Levitz SL La Puente, L.L.C., Levitz SL Oxnard, L.L.C., Levitz SL Willowbrook, L.L.C., Levitz SL Northridge, L.L.C., Levitz SL San Leandro, L.L.C., Levitz SL Sacramento, L.L.C., HL Brea, L.L.C., HL Deptford, L.L.C., HL Hayward, L.L.C., HL San Jose, L.L.C., HL Scottsdale, L.L.C., HL Torrance, L.L.C., HL Irvine 1, L.L.C., HL West Covina, L.L.C., HL Glendale, L.L.C. and HL Northridge, L.L.C., each a Delaware limited liability company, Levitz SL Langhorne, L.P. and HL Fairless Hills, L.P., each a Delaware limited partnership (each, together with its permitted successors and assigns, a <i>Borrower</i> , and collectively, together with their respective permitted successors and assigns, <i>Borrowers</i>), dated June 1, 2006 (24)
10.57	Consent and Assumption Agreement between Thor Chestnut Hill, LP, Thor Chestnut Hill II, LP, Acadia Chestnut, LLC, Acadia Realty Limited Partnership and Wells Fargo Bank, N.A. dated June 9, 2006, original Mortgage and Security Agreement between Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP and Column Financial, Inc. dated June 5, 2003 and original Assignment of Leases and Rents from Thor Chestnut Hill, LP and Thor Chestnut Hill II, LP to Column Financial, Inc. dated June 2003. (24)
10.58	Loan Agreement and Promissory Note between RD Woonsocket Associates, L.P. and Merrill Lynch Mortgage Lending, Inc. dated September 8, 2006 (25)
10.59	Amended and Restated Revolving Loan Agreement dated as of December 19, 2006 by and among RD Abington Associates LP, Acadia Town Line, LLC, RD Methuen Associates LP, RD Absecon Associates, LP, RD Bloomfield Associates, LP, RD Hobson Associates, LP, and RD Village Associates LP, and Bank of America, N.A. and the First Amendment to Amended and Restated Revolving Loan Agreement dated February, 2007. (26)
10.60	Loan Agreement between Bank of America, N.A. and RD Branch Associates, LP dated December 19, 2006. (26)
10.61	Loan Agreement between 239 Greenwich Associates Limited Partnership and Wachovia Bank, National Association dated January 25, 2007. (28)
10.62	Revolving Credit Agreement between Acadia Realty Limited Partnership and Washington Mutual Bank dated March 29, 2007. (28)
10.63	Loan Agreement between Acadia Merrillville Realty, L.P. and Bear Stearns Commercial Mortgage, Inc dated July 2, 2007. (29)
10.64	Promissory Note between Acadia Merrillville Realty, L.P. and Bear Stearns Commercial Mortgage, Inc dated July 2, 2007. (29)
10.65	Loan Agreement Note between APA 216 th Street and Bank of America, N.A. dated September 11, 2007. (29)
10.66	Promissory Note between APA 216 th Street and Bank of America, N.A. dated September 11, 2007. (29)

- 10.67 Acquisition and Project Loan agreement between Acadia PA East Fordham Acquisitions, LLC and Eurohypo AG, New York Branch dated October 5, 2007 (30)
- 10.68 Building Loan Agreement between Acadia PA East Fordham Acquisitions, LLC and Eurohypo AG, New York Branch dated October 5, 2007 (30)
- 10.69 Revolving credit agreement between Acadia Strategic Opportunity Fund III, LLC. and Bank of America, N.A. dated October 10, 2007 (30)
- 10.70 Mortgage Consolidation and Modification Agreement between Acadia Tarrytown LLC and Anglo Irish Bank Corporation, PLC dated October 30, 2007 (30)
- 10.71 Project Loan Agreement between P/A Acadia Pelham Manor, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 10, 2007 (30)

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Exhibit No.	Description
10.72	Building Loan Agreement P/A Acadia Pelham Manor, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 10, 2007 (30)
10.73	Project Loan Agreement between Acadia Atlantic Avenue, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 26, 2007 (30)
10.74	Building Loan Agreement between Acadia Atlantic Avenue, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 26, 2007 (30)
10.75	Certain information regarding the compensation arrangements with certain officers of registrant (Incorporated by reference to Item 5.02 of the registrant's Form 8-K filed with the SEC on February 4, 2008)
21	List of Subsidiaries of Acadia Realty Trust (30)
23.1	Consent of Registered Public Accounting Firm to incorporation by reference its reports into Forms S-3 and Forms S-8 (30)
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
99.1	Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.2	First and Second Amendments to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (11)
99.3	Third Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.4	Fourth Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership (18)
99.5	Certificate of Designation of Series A Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (2)
99.6	

Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Acadia Realty Limited Partnership (18)

Notes:

- (1) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal Year ended December 31, 1994
- (2) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 1997
- (3) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 1998
- (4) Incorporated by reference to the copy thereof filed as an Exhibit to Company's

Quarterly
Report on Form
10-Q filed for
the quarter
ended
September 30,
1998

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Notes, continued

- (5) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-11 (File No.33-60008)

- (6) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1998

- (7) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1999

- (8) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-8 filed

September 28,
1999

(9) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Form 8-K filed on April 20, 1998

(10) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Form 10-K filed for the fiscal year ended December 31, 2000

(11) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Registration Statement on Form S-3 filed on March 3, 2000

(12) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2001

(13)

Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001

(14) Incorporated by reference to the copy thereof filed as an Exhibit to Yale University's Schedule 13D filed on September 25, 2002

(15) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2002

(16) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Definitive Proxy Statement on Schedule 14A filed April 29, 2003.

- (17) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Current Report on Form 8-K filed on July 2, 2003

- (18) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2003

- (19) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2004.

- (20) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31,

2004.

- (21) Management contract or compensatory plan or arrangement.
- (22) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2005.
- (23) Incorporated by reference to the copy thereof filed as an Exhibit to the Company's Current Report on Form 8-K filed on January 4, 2006
- (24) Incorporated by reference to the copy thereof filed as an Exhibit to Company's Quarterly Report on Form 10-Q filed for the quarter ended June 30, 2006
- (25) Incorporated by reference to the copy thereof filed as an Exhibit to

Company's
Quarterly
Report on Form
10-Q filed for
the quarter
ended
September 30,
2006

(26) Incorporated by
reference to the
copy thereof
filed as an
Exhibit to the
Company's
Current Report
on Form 8-K
filed on
January 19,
2007

(27) Incorporated by
reference to the
copy thereof
filed as an
Exhibit to the
Company's
Annual Report
on Form 10-K
filed for the
fiscal year
ended
December 31,
2006.

(28) Incorporated by
reference to the
copy thereof
filed as an
Exhibit to the
Company's
Quarterly
Report on Form
10-Q filed for
the quarter
ended
March 31, 2007.

(29) Incorporated by
reference to the
copy thereof

filed as an
Exhibit to the
Company's
Quarterly
Report on Form
10-Q filed for
the quarter
ended
September 30,
2007.

(30) Filed herewith.

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SIGNATURES

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

**ACADIA REALTY TRUST
(Registrant)**

By: /s/ Kenneth F. Bernstein
Kenneth F. Bernstein
Chief Executive Officer,
President and Trustee

By: /s/ Michael Nelsen
Michael Nelsen
Senior Vice President and
Chief Financial Officer

By: /s/ Jonathan W. Grisham
Jonathan W. Grisham
Senior Vice President and
Chief Accounting Officer

Dated: February 29, 2008

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

Signature	Title	Date
/s/ Kenneth F. Bernstein (Kenneth F. Bernstein)	Chief Executive Officer, President and Trustee (Principal Executive Officer)	February 29, 2008
/s/ Michael Nelsen (Michael Nelsen)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2008
/s/ Jonathan W. Grisham (Jonathan W. Grisham)	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 29, 2008
/s/ Douglas Crocker II (Douglas Crocker II)	Trustee	February 29, 2008
/s/ Alan S. Forman (Alan S. Forman)	Trustee	February 29, 2008
/s/ Suzanne Hopgood (Suzanne Hopgood)	Trustee	February 29, 2008
/s/ Lorrence T. Kellar (Lorrence T. Kellar)	Trustee	February 29, 2008

/s/ Wendy Luscombe (Wendy Luscombe)	Trustee	February 29, 2008
/s/ William T. Spitz (William T. Spitz)	Trustee	February 29, 2008
/s/ Lee S. Wielansky (Lee S. Wielansky)	Trustee	February 29, 2008

Table of Contents**EXHIBIT INDEX**

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

Exhibit No.	Description
10.67	Acquisition and Project Loan agreement between Acadia PA East Fordham Acquisitions, LLC and Eurohypo AG, New York Branch dated October 5, 2007
10.68	Building Loan Agreement between Acadia PA East Fordham Acquisitions, LLC and Eurohypo AG, New York Branch dated October 5, 2007
10.69	Revolving credit agreement between Acadia Strategic Opportunity Fund III, LLC. and Bank of America, N.A. dated October 10, 2007
10.70	Mortgage Consolidation and Modification Agreement between Acadia Tarrytown LLC and Anglo Irish Bank Corporation, PLC dated October 30, 2007
10.71	Project Loan Agreement between P/A Acadia Pelham Manor, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 10, 2007
10.72	Building Loan Agreement P/A Acadia Pelham Manor, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 10, 2007 (30)
10.73	Project Loan Agreement between Acadia Atlantic Avenue, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 26, 2007 (30)
10.74	Building Loan Agreement between Acadia Atlantic Avenue, LLC and Bear Stearns Commercial Mortgage, Inc. dated December 26, 2007
21	List of Subsidiaries of Acadia Realty Trust
23.1	Consent of Registered Public Accounting Firm to incorporation by reference its reports into Forms S-3 and Forms S-8
31.1	Certification of Chief Executive Officer pursuant to rule 13a 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to rule 13a 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**ACADIA REALTY TRUST AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2007 and 2006	F-3
Consolidated Statements of Income for the years ended December 31, 2007, 2006 and 2005	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2007, 2006 and 2005	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005	F-6
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Report of Independent Registered Public Accounting Firm

The Shareholders and Trustees of
Acadia Realty Trust

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust and subsidiaries (the Company) as of December 31, 2007 and 2006 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. In connection with our audits of the financial statements we have also audited the accompanying financial statement schedule listed on page F-1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Acadia Realty Trust and subsidiaries at December 31, 2007, and 2006 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with generally accepted accounting principles in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Acadia Realty Trust and subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 29, 2008 expressed an unqualified opinion thereon.

As explained in Note 1 to the financial statements, effective January 1, 2006, Acadia Realty Trust and subsidiaries adopted the provisions of Staff Accounting Bulletin 108, Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements.

/s/ BDO Seidman, LLP

New York, New York
February 29, 2008

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Table of Contents**ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2007	2006
	(dollars in thousands)	
ASSETS		
Real estate:		
Land	\$ 235,550	\$ 145,916
Buildings and improvements	540,760	465,050
Construction in progress	77,764	39,085
	854,074	650,051
Less: accumulated depreciation	155,480	135,085
Net real estate	698,594	514,966
Cash and cash equivalents	123,343	139,571
Cash in escrow	6,637	5,321
Investments in and advances to unconsolidated affiliates	44,654	33,333
Rents receivable, net	13,449	11,869
Notes receivable	57,662	36,038
Deferred charges, net	21,825	20,749
Acquired lease intangibles	16,103	11,653
Prepaid expenses and other assets, net	16,745	41,959
Assets of discontinued operations		36,233
	\$ 999,012	\$ 851,692
LIABILITIES AND SHAREHOLDERS EQUITY		
Mortgage notes payable	\$ 402,903	\$ 319,507
Convertible notes payable	115,000	100,000
Acquired lease intangibles	5,651	4,919
Accounts payable and accrued expenses	15,289	9,882
Dividends and distributions payable	14,420	6,661
Share of distributions in excess of share of income and investment in unconsolidated affiliates	20,007	21,728
Other liabilities	13,895	5,379
Liabilities of discontinued operations		28,760
Total liabilities	587,165	496,836
Minority interest in operating partnership	4,595	8,673
Minority interests in partially-owned affiliates	166,516	105,064
Total minority interests	171,111	113,737
Shareholders equity:		

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Common shares, \$.001 par value, authorized 100,000,000 shares, issued and outstanding 32,184,462 and 31,772,952 shares, respectively	32	31
Additional paid-in capital	227,890	227,555
Accumulated other comprehensive loss	(953)	(234)
Retained earnings	13,767	13,767
Total shareholders' equity	240,736	241,119
	\$ 999,012	\$ 851,692

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

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
	2007	2006	2005
	(dollars in thousands except per share amounts)		
Revenues			
Minimum rents	\$ 72,051	\$ 63,629	\$ 69,401
Percentage rents	625	1,192	1,272
Expense reimbursements	13,318	14,538	14,440
Other property income	1,031	857	1,972
Management fee income from related parties, net	4,064	5,625	3,564
Interest income	10,315	8,311	3,316
Other income	165	1,648	
Total revenues	101,569	95,800	93,965
Operating Expenses			
Property operating	15,881	12,857	13,348
Real estate taxes	9,678	10,095	8,952
General and administrative	23,058	19,782	16,153
Depreciation and amortization	27,506	25,361	24,697
Total operating expenses	76,123	68,095	63,150
Operating income	25,446	27,705	30,815
Equity in earnings of unconsolidated affiliates	6,619	2,559	21,280
Interest expense	(22,775)	(20,377)	(16,689)
Minority interest	9,063	5,227	(13,946)
Income from continuing operations before income taxes	18,353	15,114	21,460
Income tax provision (benefit)	297	(508)	2,140
Income from continuing operations	18,056	15,622	19,320
Discontinued operations			
Operating income from discontinued operations	377	2,879	2,152
Impairment of real estate			(770)
Gain (loss) on sale of properties, net	5,271	20,974	(50)
Minority interest	(111)	(462)	(26)
Income from discontinued operations	5,537	23,391	1,306
Extraordinary item			
Share of extraordinary gain from investment in unconsolidated affiliate	30,200		
Minority Interest	(24,167)		

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Income tax provision	(2,356)		
Income from extraordinary item	3,677		
Net income	\$ 27,270	\$ 39,013	\$ 20,626
Basic earnings per share			
Income from continuing operations	\$ 0.55	\$ 0.48	\$ 0.61
Income from discontinued operations	0.17	0.72	0.04
Income from extraordinary item	0.11		
Basic earnings per share	\$ 0.83	\$ 1.20	\$ 0.65
Diluted earnings per share			
Income from continuing operations	\$ 0.54	\$ 0.48	\$ 0.60
Income from discontinued operations	0.17	0.70	0.04
Income from extraordinary item	0.11		
Diluted earnings per share	\$ 0.82	\$ 1.18	\$ 0.64

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

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common Shares	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders Equity
	(dollars in thousands, except per share amounts)						
Balance at December 31, 2004	31,341		\$ 31	\$ 222,715	\$ (3,180)	\$ (2,642)	\$ 216,924
Conversion of 796 Series A Preferred OP Units to Common Shares by limited partners of the Operating Partnership	92			696			696
Employee Restricted Share awards	52			1,030			1,030
Dividends declared (\$0.7025 per Common Share)				(1,691)		(20,626)	(22,317)
Employee and trustee exercise of 51,200 options	51			345			345
Common Shares issued under Employee Share Purchase Plan	7			104			104
Unrealized gain on valuation of swap agreements					2,708		2,708
Amortization of derivative instrument					460		460
Net income						20,626	20,626
Total comprehensive income							23,794
Balance at December 31, 2005	31,543		31	223,199	(12)	(2,642)	220,576
Cumulative effect of straight-line rent Adjustment						1,796	1,796
Conversion of 696 Series A Preferred OP Units to Common Shares by limited partners of the Operating Partnership	93			696			696
Employee Restricted Share awards	122			3,530			3,530
						(24,400)	(24,400)

Dividends declared (\$0.755 per Common Share)						
Employee exercise of 7,500 options to purchase Common Shares	8		43			43
Common Shares issued under Employee Share Purchase Plan	4		112			112
Redemption of 11,105 restricted Common OP Units			(101)			(101)
Issuance of Common Shares to Trustees	3		76			76
Unrealized loss on valuation of swap agreements				(662)		(662)
Amortization of derivative instrument				440		440
Net income					39,013	39,013
Total comprehensive income						38,791
Balance at December 31, 2006	31,773	31	227,555	(234)	13,767	241,119
Conversion of 4,000 Series B Preferred OP Units to Common Shares by limited partners of the Operating Partnership	312		4,000			4,000
Employee Restricted Share awards	103	1	3,151			3,152
Dividends declared (\$1.0325 per Common Share)			(6,425)		(27,270)	(33,695)
Employee exercise of 17,474 options to purchase Common Shares	17		174			174
Common Shares issued under Employee Share Purchase Plan	7		183			183
Issuance of Common Shares to Trustees	13		346			346
Employee Restricted Shares cancelled	(41)		(1,094)			(1,094)
Unrealized loss on valuation of swap agreements				(921)		(921)

Amortization of derivative instrument					202			202
Net income						27,270		27,270
Total comprehensive income								26,551
Balance at December 31, 2007	32,184	\$ 32	\$ 227,890	\$ (953)	\$ 13,767	\$		240,736

The accompanying notes are an integral part of these consolidated financial statements.
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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 27,270	\$ 39,013	\$ 20,626
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,428	27,178	27,747
(Gain) loss on sale of property	(5,271)	(20,974)	50
Impairment of real estate			770
Minority interests	15,215	(4,765)	13,972
Amortization of lease intangibles	722	1,080	980
Amortization of mortgage note premium	(111)	(144)	(530)
Share compensation expense	3,285	3,531	1,029
Equity in earnings of unconsolidated affiliates	(36,819)	(2,559)	(21,280)
Distributions of operating income from unconsolidated affiliates	36,666	3,277	21,498
Amortization of derivative settlement included in interest expense	202	440	460
Changes in assets and liabilities:			
Funding of escrows, net	667	(1,389)	(1,827)
Rents receivable	(1,180)	260	(3,004)
Prepaid expenses and other assets, net	23,926	967	(8,867)
Accounts payable and accrued expenses	4,962	(5,200)	(3,855)
Other liabilities	7,203	(1,088)	2,470
 Net cash provided by operating activities	 105,165	 39,627	 50,239
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in real estate and improvements	(210,227)	(87,009)	(131,077)
Deferred acquisition and leasing costs	(1,746)	(6,941)	(5,670)
Investments in and advances to unconsolidated affiliates	(39,712)	(27,626)	(455)
Return of capital from unconsolidated affiliates	26,625	28,423	22,847
Collections of notes receivable	11,071	20,948	1,868
Advances of notes receivable	(14,548)	(44,162)	(7,914)
Preferred equity investment		19,000	(19,000)
Proceeds from sale of property	19,668	38,477	3,931
 Net cash used in investing activities	 (208,869)	 (58,890)	 (135,470)

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ACADIA REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on mortgage notes	\$ (165,451)	\$ (168,082)	\$ (44,784)
Proceeds received on mortgage notes	222,218	159,617	184,466
Proceeds received on convertible notes	15,000	100,000	
Payment of deferred financing and other costs	(4,128)	(7,026)	(2,801)
Capital contributions from partners and members	105,520	44,481	44,122
Distributions to partners and members	(61,050)	(36,120)	
Dividends paid to Common Shareholders	(26,039)	(23,823)	(21,869)
Distributions to minority interests in Operating Partnership	(527)	(487)	(380)
Distributions on preferred Operating Partnership Units to minority interests	(86)	(254)	(342)
Distributions to minority interests in partially-owned affiliates	(2,612)	(232)	(436)
Repurchase and cancellation of shares	(1,094)		
Contributions from minority interests in partially -owned affiliates	5,022	300	1,000
Redemption of Operating Partnership Units		(246)	
Common Shares issued under Employee Stock Purchase Plan	529	188	104
Exercise of options to purchase Common Shares	174	43	345
Net cash provided by financing activities	87,476	68,359	159,425
(Decrease) increase in cash and cash equivalents	(16,228)	49,096	74,194
Cash and cash equivalents, beginning of period	139,571	90,475	16,281
Cash and cash equivalents, end of period	\$ 123,343	\$ 139,571	\$ 90,475
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest, including capitalized interest of \$34, \$79, and \$260, respectively	\$ 23,709	\$ 22,843	\$ 18,799
Cash paid for income taxes	\$ 348	\$ 1,039	\$ 1,512
Supplemental disclosure of non-cash investing and financing activities:			
Acquisition of management contract rights through issuance of Common and Preferred Operating Partnership Units	\$	\$	\$ 4,000
Acquisition of real estate through assumption of debt	\$	\$ 22,583	\$

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Issuance of notes receivable in connection with sale of real estate	\$ (18,000)	\$	\$
Acquisition of property through issuance of Preferred Operating Partnership Units	\$	\$	\$ 200
Conversion of common equity interest into preferred equity interest in investments	\$	\$	\$ 3,255
Recapitalization and deconsolidation of investment:			
Real estate, net	\$	\$ 124,962	\$
Other assets and liabilities		(11,413)	
Mortgage debt		(66,984)	
Minority interests		(36,504)	
Investment in unconsolidated affiliates		(10,428)	
Cash included in investments and advances to unconsolidated affiliates	\$	\$ (367)	
Acquisition of interest in investment from unaffiliated investor:			
Real estate, net	\$	\$ (9,260)	\$
Other assets and liabilities		5,901	
Investment in unconsolidated affiliates		3,469	
Cash included in expenditures for real estate and improvements	\$	\$ 110	\$

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

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

As of December 31, 2007, the Company operated 76 properties, which it owns or has an ownership interest in, principally located in the Northeast, Mid-Atlantic and Midwest regions of the United States.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the Operating Partnership) and entities in which the Operating Partnership owns a controlling interest. As of December 31, 2007, the Trust controlled 98% 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 represent entities or individuals who contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest (Common or Preferred OP Units). Limited partners holding Common OP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Trust (Common Shares). This structure is referred to as an umbrella partnership REIT or UPREIT.

During September of 2001, the Company formed a partnership, Acadia Strategic Opportunity Fund I, LP (Fund I), and during August of 2004 formed a limited liability company, Acadia Mervyn Investors I, LLC (Mervyns I), with four institutional investors. The Operating Partnership committed a total of \$20.0 million to Fund I and Mervyns I, and the four institutional shareholders committed a total of \$70.0 million, for the purpose of acquiring approximately \$300.0 million in investments. As of December 31, 2007, the Operating Partnership had contributed \$16.5 million to Fund I and \$2.7 million to Mervyns I.

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

During June of 2004, the Company formed Acadia Strategic Opportunity Fund II, LLC (Fund II), and during August 2004 formed Acadia Mervyn Investors II, LLC (Mervyns II), with the investors from Fund I as well as two additional institutional investors. With \$300.0 million of committed discretionary capital, Fund II and Mervyns II combined expect to be able to acquire or develop up to \$900.0 million of investments on a leveraged basis. The Operating Partnership's share of committed capital is \$60.0 million. The Operating Partnership is the managing member with a 20% interest in both Fund II and Mervyns II. The terms and structure of Fund II and Mervyns II are substantially the same as Fund I and Mervyns I, including the Promote structure, with the exception that the Preferred Return is 8%. As of December 31, 2007, the Operating Partnership had contributed \$28.8 million to Fund II and \$7.6 million to Mervyns II.

During May of 2007, the Company formed Acadia Strategic Opportunity Fund III LLC (Fund III) with fourteen institutional investors, including a majority of the investors from Fund I and Fund II. With \$503.0 million of committed discretionary capital, Fund III expects to be able to acquire or develop approximately \$1.5 billion of assets on a leveraged basis. The Operating Partnership's share of the invested capital is \$100.0 million and it is the managing member with a 19.9% interest in Fund III. The terms and structure of Fund III is substantially the same as the previous Funds I and II, including the Promote structure, with the exception that the Preferred Return is 6%. As of December 31, 2007, the Operating Partnership had contributed \$10.5 million to Fund III.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its controlling investments in partnerships and limited liability companies in which the Company is presumed to have control in accordance with Emerging Issues Task Force (EITF) Issue No. 04-5. The ownership interests of other investors in these entities are recorded as minority interests. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company s share of the earnings (or loss) of these entities are included in consolidated net income.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Variable interest entities within the scope of Financial Accounting Statements Board (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46-R) are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that bears a majority of the entity's expected losses, receives a majority of its expected returns, or both. Management has evaluated the applicability of FIN 46-R to its investments in certain joint ventures and determined that these joint ventures do not meet the requirements of a variable interest entity or the Company is not the primary beneficiary and, therefore, consolidation of these ventures is not required. Accordingly, these investments are accounted for using the equity method. On January 4, 2006, Fund I recapitalized its investment in a one million square foot shopping center portfolio located in Wilmington, Delaware (Brandywine Portfolio). The recapitalization was effected through the conversion of the 77.8% interest which was previously held by the institutional investors in Fund I to affiliates of GDC Properties (GDC) through a merger of interests in exchange for cash. The Operating Partnership has retained its existing 22.2% interest in the Brandywine Portfolio in partnership with GDC and continues to operate the portfolio and earn fees for such services. Following the January 2006 recapitalization of the Brandywine Portfolio, the Company no longer has a controlling interest in this investment and, accordingly, accounts for this investment under the equity method of accounting.

Investments in and Advances to Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures using the equity method as it does not exercise control over significant asset decisions such as buying, selling or financing nor is it the primary beneficiary under FIN 46R, as discussed above. Under the equity method, the Company increases its investment for its proportionate share of net income and contributions to the joint venture and decreases its investment balance by recording its proportionate share of net loss and distributions. The Company recognizes income for distributions in excess of its investment where there is no recourse to the Company. For investments in which there is recourse to the Company, distributions in excess of the investment are recorded as a liability. Although the Company accounts for its investment in Albertson's (Note 4), using the equity method of accounting, the Company adopted the policy of not recording its equity in earnings or losses of this unconsolidated affiliate until the Company receives the audited financial statements of Albertson's to support the equity earnings or losses in accordance with paragraph 19 of Accounting Principles Board (APB) 18 Equity Method of Accounting for Investments in Common Stock. The Company periodically reviews its investment in unconsolidated joint ventures for other than temporary declines in market value. Any decline that is not expected to be recovered in the next twelve months is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. No impairment charges were recognized for the years ended December 31, 2007, 2006 and 2005.

Use of Estimates

Accounting principles generally accepted in the United States of America (GAAP) require the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Real Estate

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

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations and

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

SFAS No. 142, *Goodwill and Other Intangible Assets*, and allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. The Company reviews its long-lived assets used in operations for impairment when there is an event, or change in circumstances that indicates impairment in value. The Company records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying cost to fair value, and for properties held for sale, the Company reduces its carrying value to the fair value less costs to sell. During the years ended December 31, 2007 and 2006, no impairment losses were recognized. During the year ended December 31, 2005, an impairment loss of \$0.8 million was recognized related to a property that was sold during July of 2005. Management does not believe that the values of its properties within the portfolio are impaired as of December 31, 2007.

Sale of Real Estate

The Company recognizes property sales in accordance with SFAS No. 66, *Accounting for Sales of Real Estate*. The Company generally records the sales of operating properties and outparcels using the full accrual method at closing when the earnings process is deemed to be complete. Sales not qualifying for full recognition at the time of sale are accounted for under other appropriate deferral methods.

Real Estate Held-for Sale

The Company evaluates the held-for-sale classification of its real estate each quarter. Assets that are classified as held-for-sale are recorded at the lower of their carrying amount or fair value less cost to sell. Assets are generally classified as held-for-sale once management has initiated an active program to market them for sale and has received a firm purchase commitment. The results of operations of these real estate properties are reflected as discontinued operations in all periods reported.

On occasion, the Company will receive unsolicited offers from third parties to buy individual Company properties. Under these circumstances, the Company will classify the properties as held-for-sale when a sales contract is executed with no contingencies and the prospective buyer has funds at risk to ensure performance.

Deferred Costs

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

Management Contracts

Income from management contracts is recognized on an accrual basis as such fees are earned. The initial acquisition cost of the management contracts is being amortized over the estimated lives of the contracts acquired. Income from management contracts for the year ended December 31, 2005 is net of sub-management fees of \$0.3 million.

Revenue Recognition and Accounts and Notes Receivable

Leases with tenants are accounted for as operating leases. Minimum rents are recognized on a straight-line basis over the term of the respective leases, beginning when the tenant takes possession of the space. As of December 31, 2007 and 2006, included in rents receivable, net on the accompanying consolidated balance sheet, unbilled rents receivable relating to straight-lining of rents were \$8.4 million and \$5.6 million, respectively. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rent is recognized in the period when the tenants' sales breakpoint is met. In addition, leases typically provide for the reimbursement to the Company of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the expenses are incurred.

The Company makes estimates of the uncollectability of its accounts receivable related to tenant revenues. An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Once the amount is ultimately deemed to be uncollectible, it is written off. Rents receivable at December 31, 2007 and 2006 are shown net of an allowance for doubtful accounts of \$3.1 million and \$3.2 million, respectively.

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**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Revenue Recognition and Accounts and Notes Receivable, continued

Interest income from notes receivable is recognized on an accrual basis based on the contractual terms of the notes. The Company reviews notes receivable on a quarterly basis and determined that all notes receivable are deemed to be collectible as of December 31, 2007.

Cash and Cash Equivalents

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

Restricted Cash and Cash in Escrow

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

Income Taxes

The Company has made an election to be taxed, and believes it qualifies as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). To maintain REIT status for Federal income tax purposes, the Company is generally required to distribute at least 90% of its REIT taxable income to its stockholders as well as comply with certain other requirements as defined by the Code. Accordingly, the Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

Although it may qualify for REIT status for Federal income tax purposes, the Company is subject to state income or franchise taxes in certain states in which some of its properties are located. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries (TRS) are subject to Federal, state and local income taxes.

TRS income taxes are accounted for under the asset and liability method as required by SFAS No. 109, Accounting for Income Taxes. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of the TRS assets and liabilities.

The Company adopted the provisions of the FASB financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of SFAS No. 109 as of January 1, 2007. The Company believes that it has appropriate support for the income tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Company's financial position or results of operation. The prior three years income tax returns are subject to review by the Internal Revenue Service. The Company's policy relating to interest and penalties is to recognize them as a component of the provision for income taxes.

Stock-based Compensation

The Company accounts for stock options pursuant to SFAS No. 123R Accounting for Stock-Based Compensation. As such, all stock options are reflected as compensation expense in the Company's consolidated financial statements over their vesting period based on the fair value at the date the stock option was granted.

Recent Accounting Pronouncements

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. This Bulletin provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The guidance in this Bulletin must be applied to financial reports covering the first fiscal year ending after November 15, 2006. As a result of the adoption of SAB No. 108, the Company recorded a \$1.8 million cumulative effect of straight-line rent adjustment for prior years effective January 1, 2006. This adjustment was the result of changing the calculation of tenants straight-line rent from rent commencement date to the date the tenant took possession of the space. This adjustment is reflected in the Company's balance sheet as an increase to both rents receivable, net and retained earnings.

During September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements. This SFAS defines fair value, establishes a framework for measuring fair value in GAAP, and expands

disclosures about fair value measurements. This statement applies to accounting pronouncements that require or permit fair value measurements, except for share-based payment transactions under SFAS No. 123. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. As SFAS No. 157 does not require any new fair value measurements or remeasurements of previously computed fair values, the Company does not believe adoption of SFAS No. 157 will have a material effect on its financial statements.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

On February 15, 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits companies and not-for-profit organizations to make a one-time election to carry eligible types of financial assets and liabilities at fair value, even if fair value measurement is not required under GAAP. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the effect of the adoption of SFAS No. 159.

On August 31, 2007, the FASB issued a proposed FASB Staff Position (the Proposed FSP) that affects the accounting for the Company's convertible notes payable. The Proposed FSP requires the initial debt proceeds from the sale of the Company's convertible notes to be allocated between a liability component and an equity component. The resulting debt discount must be amortized over the period the debt is expected to remain outstanding as additional interest expense. The Proposed FSP, if adopted, would be effective for fiscal years beginning after December 15, 2007 and would require retroactive application. The Company is currently evaluating the impact that this Proposed FSP would have on its financial statements if adopted.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, which, among other things, provides guidance and establishes amended accounting and reporting standards for a parent company's noncontrolling or minority interest in a subsidiary. The Company is currently evaluating the impact of adopting the Statement, which is effective for fiscal years beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141 Business Combinations. SFAS No. 141R, among other things, establishes principles and requirements for how an acquirer entity recognizes and measures in its financial statements the identifiable assets acquired (including intangibles), the liabilities assumed and any noncontrolling interest in the acquired entity. The Company is currently evaluating the impact of adopting the Statement, which is effective for fiscal years beginning on or after December 15, 2008.

Comprehensive income

The following table sets forth comprehensive income for the years ended December 31, 2007, 2006 and 2005:

(dollars in thousands)	Years ended December 31,		
	2007	2006	2005
Net income	\$ 27,270	\$ 39,013	\$ 20,626
Other comprehensive (loss) income	(719)	(222)	3,168
Comprehensive income	\$ 26,551	\$ 38,791	\$ 23,794

Other comprehensive income relates to the changes in the fair value of derivative instruments accounted for as cash flow hedges and the amortization, which is included in interest expense, of derivative instruments.

The following table sets forth the change in accumulated other comprehensive loss for the years ended December 31, 2007 and 2006:

Accumulated other comprehensive loss

(dollars in thousands)	Years ended December 31,	
	2007	2006
Beginning balance	\$ (234)	\$ (12)
Unrealized (loss) gain on valuation of derivative instruments and amortization of derivative	(719)	(222)

Ending balance	\$ (953)	\$ (234)
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**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. Acquisition and Disposition of Properties and Discontinued Operations

A. Acquisition and Disposition of Properties

Currently the primary vehicles for the Company's acquisitions are Funds I, II and III (Note 1).

Acquisitions

On March 20, 2007, the Company purchased a retail commercial condominium at 200 West 54th Street located in Manhattan, New York. The 10,000 square foot property was acquired for \$36.4 million.

Additionally, on March 20, 2007, the Company purchased a single-tenant building located at 1545 East Service Road in Staten Island, New York for \$17.0 million.

On May 31, 2007, the Company purchased a property located on Atlantic Avenue in Brooklyn, New York for \$5.0 million. Redevelopment plans for the property call for the demolition of the existing structure and the construction of a 110,000 square foot self-storage facility.

On June 13, 2007, the Company (approximately 25%), along with an unaffiliated partner (approximately 75%), acquired a leasehold interest in The Gallery at Fulton Street and adjacent parking garage located in downtown Brooklyn, New York for \$115.0 million. The redevelopment plans include the demolition of the existing improvements and the construction of a mixed-use project to be called CityPoint.

On October 31, 2007, the Company, in conjunction with an unaffiliated partner, P/A Associates, LLC (Acadia P/A) acquired a 530,000 square foot warehouse building in Canarsie, Brooklyn for approximately \$21.0 million. The development plan for this property includes the demolition of a portion of the warehouse and the construction of a 320,000 square foot mixed-use project consisting of retail, office, cold-storage and self-storage.

On November 1, 2007, the Company, and an unaffiliated partner acquired a property in Westport, Connecticut for approximately \$17.0 million. The plan is to redevelop the existing building into 30,000 square feet of retail and residential use.

On November 5, 2007, the Company, through Acadia P/A, acquired a property in Sheepshead Bay, Brooklyn for approximately \$20.0 million. The redevelopment plan includes the demolition of the existing structures and the construction of a 240,000 square foot shopping center.

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

On January 24, 2006, the Company acquired a 60% interest in the entity which owns the A&P Shopping Plaza located in Boonton, New Jersey. The property is a 63,000 square foot shopping center anchored by a 49,000 square foot A&P Supermarket. A portion of the remaining 40% interest is owned by a principal of P/A Associates, LLC. The interest was acquired for \$3.2 million.

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

On September 21, 2006, the Company purchased 2914 Third Avenue, a 41,305 square foot building located in the Bronx, New York for \$18.5 million.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition and Disposition of Properties and Discontinued Operations, continued**Dispositions**

On November 15, 2007, the Company sold the Amherst Marketplace and Sheffield Crossing, shopping centers located in Ohio, for \$26.0 million, which resulted in a \$7.5 million gain on sale.

On December 13, 2007, the Company sold a residential complex in Columbia, Missouri for \$15.5 million, which resulted in a \$2.0 million loss on sale.

On November 3, 2006, the Company sold the Bradford Towne Centre, a 257,123 square foot shopping center located in Towanda, Pennsylvania, for \$16.0 million, which resulted in a \$5.6 million gain on sale.

On November 28, 2006, the Company sold three properties located in northeastern Pennsylvania as follows:

(dollars in thousands)	Sales Price	Gain	GLA
Property			
Greenridge Plaza	\$ 10,600	\$ 4,753	191,767
Luzerne Street Center	3,600	2,521	58,035
Pittston Plaza	6,000	487	79,498
Total	\$ 20,200	\$ 7,761	329,300

On December 14, 2006, the Company sold the Soundview Marketplace, a 183,815 square foot shopping center in Port Washington, New York, for \$24.0 million which resulted in a \$7.9 million gain on the sale.

On July 7, 2005, the Company sold the Berlin Shopping Center for \$4.0 million. An impairment loss of \$0.8 million was recognized for the year ended December 31, 2005 to reduce the carrying value of this asset to fair value less costs to sell.

B. Discontinued Operations

SFAS No. 144 requires discontinued operations presentation for disposals of a component of an entity. In accordance with SFAS No. 144, for all periods presented, the Company has reclassified its consolidated statements of income to reflect income and expenses for sold properties (Note 2A), as discontinued operations and reclassified its consolidated balance sheets to reflect assets and liabilities related to such properties as assets and liabilities related to discontinued operations. Interest expense specific to a discontinued operation property is reflected in discontinued operations.

The combined results of operations of sold properties are reported separately as discontinued operations for the years ended December 31, 2007, 2006 and 2005.

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

(dollars in thousands)	December 31, 2006
ASSETS	
Net real estate	\$ 32,616
Rent receivable, net	1,080
Other assets	2,537
Total assets of discontinued operations	\$ 36,233
LIABILITIES	
Mortgage notes payable	\$ 26,955
Accounts payable and accrued expenses	665

Other liabilities	1,140
Total liabilities of discontinued operations	\$ 28,760

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition and Disposition of Properties and Discontinued Operations, continued**B. Discontinued Operations, continued**

(dollars in thousands)	Years ended December 31,		
	2007	2006	2005
Revenues	\$ 6,471	\$ 15,359	\$ 16,278
Operating expenses	4,460	9,590	11,338
Interest expense	1,634	2,890	2,788
Operating Income	377	2,879	2,152
Impairment of real estate	¾	¾	(770)
Gain (loss) on sale of properties	5,271	20,974	(50)
Minority interest	(111)	(462)	(26)
Income from discontinued operations	\$ 5,537	\$ 23,391	\$ 1,306

3. Segment Reporting

The Company has three reportable segments: core portfolio, opportunity funds and other which, primarily consists of management fee and interest income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. Investments in the core portfolio are typically held long-term. Given the finite life of the opportunity funds, these investments are typically held for shorter terms. Fees earned by the Company as general partner/member of the opportunity funds are eliminated in the Company's consolidated financial statements. The Company previously reported two reportable segments, retail properties and multi-family properties. During December of 2007, the Company sold the majority of its multi-family properties and realigned the segments to reflect the way the Company now manages the business. The following table sets forth certain segment information for the Company, reclassified for discontinued operations, as of and for the years ended December 31, 2007, 2006, and 2005 (does not include unconsolidated affiliates):

2007

(dollars in thousands)	Core Portfolio	Opportunity Funds	Other	Elimination	Total
Revenues	\$ 62,970	\$ 20,672	\$ 38,294	\$ (20,367)	\$ 101,569
Property operating expenses and real estate taxes	18,770	5,069	2,000	(280)	25,559
Other expenses	25,239	13,032	¾	(15,213)	23,058
Net income before depreciation and amortization	\$ 18,961	\$ 2,571	\$ 36,294	\$ (4,874)	\$ 52,952
Depreciation and amortization	\$ 17,510	\$ 9,381	\$ 615	\$ ¾	\$ 27,506
Interest expense	\$ 17,439	\$ 5,852	\$ ¾	\$ (516)	\$ 22,775
Real estate at cost	\$ 460,591	\$ 377,461	\$ 20,380	\$ (4,358)	\$ 854,074

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Total assets	\$ 569,538	\$ 419,045	\$ 14,787	\$ (4,358)	\$ 999,012
Expenditures for real estate and improvements	\$ 58,124	\$ 151,652	\$ 451	\$ ¾	\$ 210,227
Reconciliation to net income					
Net property income before depreciation and amortization					\$ 52,952
Depreciation and amortization					(27,506)
Equity in earnings of unconsolidated partnerships					6,619
Interest expense					(22,775)
Income tax provision					297
Minority interest					9,063
Income from discontinued operations					5,537
Extraordinary item					3,677
Net income					\$ 27,270

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Reporting, continued**2006**

(dollars in thousands)	Core Portfolio	Opportunity Funds	Other	Elimination	Total
Revenues	\$ 58,450	\$ 19,291	\$ 26,654	\$ (8,595)	\$ 95,800
Property operating expenses and real estate taxes	16,655	4,710	1,916	(329)	22,952
Other expenses	21,610	4,410	¾	(6,238)	19,782
Net income before depreciation and amortization	\$ 20,185	\$ 10,171	\$ 24,738	\$ (2,028)	\$ 53,066
Depreciation and amortization	\$ 15,212	\$ 9,517	\$ 632	\$ ¾	\$ 25,361
Interest expense	\$ 14,160	\$ 6,298	\$ 243	\$ (324)	\$ 20,377
Real estate at cost	\$ 407,858	\$ 223,748	\$ 20,149	\$ (1,704)	\$ 650,051
Total assets	\$ 584,544	\$ 254,586	\$ 14,266	\$ (1,704)	\$ 851,692
Expenditures for real estate and improvements	\$ 62,725	\$ 24,092	\$ 192	\$ ¾	\$ 87,009
Reconciliation to net income					
Net property income before depreciation and amortization					\$ 53,066
Depreciation and amortization					(25,361)
Equity in earnings of unconsolidated partnerships					2,559
Interest expense					(20,377)
Income tax (benefit)					(508)
Minority interest					5,227
Income from discontinued operations					23,391
Net income					\$ 39,013

2005

(dollars in thousands)	Core Portfolio	Opportunity Funds	Other	Elimination	Total
Revenues	\$ 52,996	\$ 32,045	\$ 18,555	\$ (9,631)	\$ 93,965
Property operating expenses and real estate taxes	14,713	5,754	1,833	¾	22,300
Other expenses	15,382	8,888	¾	(8,117)	16,153

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Net income before depreciation and amortization	\$ 22,901	\$ 17,403	\$ 16,722	\$ (1,514)	\$ 55,512
Depreciation and amortization	\$ 13,546	\$ 10,540	\$ 611	\$ ¾	\$ 24,697
Interest expense	\$ 9,394	\$ 7,503	\$ 134	\$ (342)	\$ 16,689
Real estate at cost	\$ 337,344	\$ 314,773	\$ 19,872	\$ (1,172)	\$ 670,817
Total assets	\$ 436,136	\$ 389,456	\$ 16,784	\$ (1,172)	\$ 841,204
Expenditures for real estate and improvements	\$ 25,355	\$ 105,448	\$ 274	\$ ¾	\$ 131,077

Reconciliation to net income

Net property income before depreciation and amortization					\$ 55,512
Depreciation and amortization					(24,697)
Equity in earnings of unconsolidated partnerships					21,280
Interest expense					(16,689)
Income tax provision					2,140
Minority interest					(13,946)
Income from discontinued operations					1,306
Net income					\$ 20,626

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments**A. Investments In and Advances to Unconsolidated Affiliates****Retailer Controlled Property Venture (RCP Venture)**

During January of 2004, the Company entered into the RCP Venture with Klaff Realty, L.P. (Klaff) and Lubert-Adler Management, Inc. for the purpose of making investments in surplus or underutilized properties owned by retailers. Through December 31, 2007, the Company has invested \$55.4 million through the RCP Venture on a non-recourse basis. Cash flow is to be distributed to the RCP Venture partners in accordance with their ownership interests until they have received a 10% cumulative return and a full return of all contributions. Thereafter, remaining cash flow is to be distributed 20% to Klaff and 80% to the partners (including Klaff).

Mervyns Department Stores

During September of 2004, the RCP Venture invested in a consortium to acquire the Mervyns Department Store chain from Target Corporation. The gross acquisition price of \$1.2 billion was financed with \$800 million of debt and \$400 million of equity. The Company's share of this investment was \$23.9 million. For the year ended December 31, 2007, the Company made an additional investment of \$2.2 million in Mervyns through the RCP Venture.

For the year ended December 31, 2005, the Company made add-on investments in Mervyns totaling \$1.3 million. The Company accounts for these add-on investments using the cost method due to the minor ownership interest and the inability to exert influence over the partnership's operating and financial policies.

Albertson's

During June of 2006, the RCP Venture made its second investment as part of an investment consortium, acquiring Albertson's and Cub Foods, of which the Company's share was \$20.7 million. During February of 2007, the Company received a cash distribution of \$44.4 million from this investment which was sourced from the disposition of certain operating stores and a refinancing of the remaining assets held by Albertson's. The distribution in excess of the Company's invested capital was reflected as an extraordinary gain of \$30.2 million. This gain was characterized as extraordinary consistent with the accounting treatment by Albertson's which reflected the excess of fair value of net assets acquired over the purchase price as an extraordinary gain. The Company received additional distributions from this investment totaling \$8.8 million for the year ended December 31, 2007.

For the years ended December 31, 2007 and 2006, the Company made add-on investments in Albertson's totaling \$2.8 million and received distributions totaling \$0.8 million. The Company accounts for these add-on investments using the cost method due to the minor ownership interest and the inability to exert influence over the partnership's operating and financial policies.

Other Investments

During 2006, the Company made additional investments of \$1.1 million in Shopko and \$0.7 million in Marsh through the RCP Venture. For the year ended December 31, 2007, the Company received a \$1.1 million cash distribution from the Shopko investment representing 100% of its invested capital.

During July of 2007, the RCP Venture acquired a portfolio of 87 retail properties from Rex Stores Corporation. The Company's share of this investment was \$2.7 million.

The Company accounts for the two above investments using the cost method due to its minor ownership interest and the inability to exert influence over the partnership's operating and financial policies.

The following table summarizes the RCP Venture investments from inception through December 31, 2007:

Investor	Investment	Year acquired	Invested capital	Distributions	Operating Partnership Share	
					Invested capital	Distributions
Mervyns I and Mervyns II	Mervyns	2004	\$ 26,072	\$ 45,966	\$ 4,901	\$ 11,251
	Mervyns add-on					

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Mervyns I and Mervyns II	investments	2005				
			1,342	1,342	283	283
Mervyns II	Albertson s	2006	20,717	53,206	4,239	9,847
	Albertson s					
	add-on					
Mervyns II	investments	2006/2007	2,765	833	386	93
Fund II	Shopko	2006	1,100	1,100	220	220
Fund II	Marsh	2006	667	¾	133	¾
Mervyns II	Rex	2007	2,701	¾	535	¾
Total			\$ 55,364	\$ 102,447	\$ 10,697	\$ 21,694

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**Brandywine Portfolio**

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

Crossroads

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

Other Investments**Fund I Investments**

Fund I has joint ventures with unaffiliated third-party investors in the ownership and operation of the following shopping centers, which are accounted for using the equity method of accounting.

Shopping Center	Location	Year Acquired	Gross Leasable Area
Haygood Shopping Center	Virginia Beach, VA	2004	178,533
Sterling Heights Shopping Center	Detroit, MI	2004	154,835
Total			333,368

In November 2006, Fund I completed the purchase of the remaining 50% interest in the Tarrytown Centre, a 35,000 square foot center located in Westchester, New York, from its unaffiliated partner. This investment, which had previously been accounted for using the equity method, is now consolidated.

Fund II Investments

Fund II has invested \$1.2 million as a 50% owner in an entity which has a leasehold interest in a former Levitz Furniture store located in Rockville, Maryland, which is accounted for using the equity method.

Fund II s approximately 25% investment in CityPoint (Note 2) is accounted for using the equity method. This investment is a variable interest entity of which the Company is not the primary beneficiary. The Company s maximum exposure is its current investment balance of \$28.9 million.

In addition to these investments, the Company made advances to unconsolidated affiliates. At December 31, 2007 and 2006, advances to unconsolidated affiliates totaled \$4.0 million and \$2.3 million, respectively.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**A. Investments In and Advances to Unconsolidated Affiliates, continued**

The following tables summarize the Company's investment in unconsolidated subsidiaries as of December 31, 2007, December 31, 2006 and December 31, 2005.

(dollars in thousands)	December 31, 2007					Total
	RCP Venture	CityPoint	Brandywine Portfolio	Crossroads	Other Investments	
Balance Sheets						
Assets						
Rental property, net	\$	\$ 145,775	\$ 136,942	\$ 5,552	\$ 38,137	\$ 326,406
Investment in unconsolidated affiliates	195,672					195,672
Other assets		3,046	10,631	4,372	6,650	24,699
Total assets	\$ 195,672	\$ 148,821	\$ 147,573	\$ 9,924	\$ 44,787	\$ 546,777
Liabilities and partners equity						
Mortgage note payable	\$	\$ 34,000	\$ 166,200	\$ 64,000	\$ 33,084	\$ 297,284
Other liabilities		2,213	9,629	1,112	2,307	15,261
Partners equity (deficit)	195,672	112,608	(28,256)	(55,188)	9,396	234,232
Total liabilities and partners equity	\$ 195,672	\$ 148,821	\$ 147,573	\$ 9,924	\$ 44,787	\$ 546,777
Company's investment in and advances to unconsolidated affiliates	\$ 9,813	\$ 28,890	\$	\$	\$ 5,951	\$ 44,654
Share of distributions in excess of share of income and investment in unconsolidated affiliates	\$	\$	\$ (7,822)	\$ (12,185)	\$	\$ (20,007)

(dollars in thousands)	December 31, 2006				Total
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	
Balance Sheets					
Assets					
Rental property, net	\$	\$ 127,146	\$ 6,017	\$ 43,660	\$ 176,823

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Investment in unconsolidated affiliates	385,444				385,444
Other assets		6,747	4,511	6,632	17,890
Total assets	\$ 385,444	\$ 133,893	\$ 10,528	\$ 50,292	\$ 580,157
Liabilities and partners' equity					
Mortgage note payable	\$	\$ 166,200	\$ 64,000	\$ 28,558	\$ 258,758
Other liabilities		12,709	1,858	8,862	23,429
Partners' equity (deficit)	385,444	(45,016)	(55,330)	12,872	297,970
Total liabilities and partners' equity	\$ 385,444	\$ 133,893	\$ 10,528	\$ 50,292	\$ 580,157
Company's investment in and advances to unconsolidated affiliates	\$ 24,894	\$	\$	\$ 8,439	\$ 33,333
Share of distributions in excess of share of income and investment in unconsolidated affiliates	\$	\$ (10,541)	\$ (11,187)	\$	\$ (21,728)

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**A. Investments In and Advances to Unconsolidated Affiliates, continued**

(dollars in thousands)	Year ended December 31, 2007				Total
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	
Statements of Operations					
Total revenue	\$	\$ 20,252	\$ 8,518	\$ 5,862	\$ 34,632
Operating and other expenses		5,620	3,095	1,396	10,111
Interest expense		10,102	3,485	2,333	15,920
Equity in earnings of affiliates	46,416				46,416
Equity in earning of unconsolidated affiliates extraordinary gain	151,000				151,000
Depreciation and amortization		3,269	475	4,439	8,183
 Net income (loss)	 \$ 197,416	 \$ 1,261	 \$ 1,463	 \$ (2,306)	 \$ 197,834
 Company's share of net income	 \$ 3,312	 \$ 232	 \$ 717	 \$ 2,750	 \$ 7,011
Amortization of excess investment			392		392
 Company's share of net income before extraordinary gain	 \$ 3,312	 \$ 232	 \$ 325	 \$ 2,750	 \$ 6,619
 Company's share of extraordinary gain	 \$ 30,200	 \$	 \$	 \$	 \$ 30,200

(dollars in thousands)	Year ended December 31, 2006				Total
	RCP Venture	Brandywine Portfolio	Crossroads	Other Investments	
Statements of Operations					
Total revenue	\$	\$ 18,324	\$ 9,208	\$ 3,707	\$ 31,239
Operating and other expenses		4,800	3,121	2,295	10,216
Interest expense		12,066	3,485	1,448	16,999
Equity in (losses) of affiliates	(4,554)				(4,554)
Depreciation and amortization		2,947	580	1,416	4,943
 Net (loss) income	 \$ (4,554)	 \$ (1,489)	 \$ 2,022	 \$ (1,452)	 \$ (5,473)
 Company's share of net income	 \$ 2,212	 \$ (31)	 \$ 991	 \$ (221)	 \$ 2,951
Amortization of excess investment			392		392
 Company's share of net income (loss)	 \$ 2,212	 \$ (31)	 \$ 599	 \$ (221)	 \$ 2,559

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments, continued**A. Investments In and Advances to Unconsolidated Affiliates, continued**

(dollars in thousands)	Year ended December 31, 2005			
	RCP	Other		
	Venture	Crossroads	Investments	Total
Statements of Operations				
Total revenue	\$	\$ 8,772	\$ 3,778	\$ 12,550
Operating and other expenses		2,581	2,206	4,787
Interest expense		3,632	906	4,538
Equity in earnings of affiliates	181,543			181,543
Depreciation and amortization		654	927	1,581
Net income (loss)	\$ 181,543	\$ 1,905	\$ (261)	\$ 183,187
Company's share of net income	20,902	988	(218)	21,672
Amortization of excess investment		392		392
Company's share of net income (loss)	\$ 20,902	\$ 596	\$ (218)	\$ 21,280

B. Notes Receivable and Preferred Equity Investment

During March of 2005, the Company made a \$20.0 million preferred equity investment (Preferred Equity Investment) in Levitz SL, L.L.C. (Levitz SL), the owner of fee and leasehold interests in 30 current or former Levitz Furniture Store locations (the Levitz Properties), totaling 2.5 million square feet.

During June 2006, the Company converted the Preferred Equity Investment to a first mortgage loan and made an additional advance bringing the total outstanding amount to \$31.3 million. The loan matures on May 31, 2008 and bears interest at a rate of 10.5%. During 2006, Levitz SL sold one of the Levitz Properties located in Northridge, California and used \$20.4 million of the proceeds to pay down the loan. During 2007, Levitz SL sold an additional Levitz Property located in St. Paul Minnesota and used \$4.8 million of the proceeds to pay down the first mortgage loan. As of December 31, 2007 and 2006, the loan balance amounted to \$6.1 million and \$10.9 million, respectively, and was secured by fee and leasehold mortgages as well as a pledge of the entities owning 13 of the remaining Levitz Properties totaling 1.3 million square feet. Although Levitz Furniture filed for Chapter 7 bankruptcy protection during November 2007, the Company believes the underlying value of the real estate is sufficient to recover the principal and interest due under the mortgage.

5. Deferred Charges

Deferred charges consist of the following as of December 31, 2007 and 2006:

(dollars in thousands)	December 31,	
	2007	2006
Deferred financing costs	\$ 18,756	\$ 15,684
Deferred leasing and other costs	20,399	19,342
	39,155	35,026
Accumulated amortization	(17,330)	(14,277)

\$ 21,825 \$ 20,749

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ACADIA REALTY TRUST AND SUBSIDIARIES
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6 Acquired Lease Intangibles

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases, acquired in-place leases and customer relationships) and acquired liabilities in accordance with SFAS No. 141. The intangibles are amortized over the remaining non-cancelable terms of the respective leases

The scheduled amortization of acquired lease intangible assets as of December 31, 2007 is as follows:

(dollars in thousands)

2008	\$ 2,744
2009	2,222
2010	1,782
2011	1,258
2012	777
Thereafter	7,320
	\$ 16,103

The scheduled amortization of acquired lease intangible liabilities as of December 31, 2007 is as follows:

(dollars in thousands)

2008	\$ (827)
2009	(694)
2010	(631)
2011	(634)
2012	(588)
Thereafter	(2,277)
	\$ (5,651)

7. Mortgage Loans

At December 31, 2007 and 2006, mortgage notes payable, excluding the net valuation premium on the assumption of debt, aggregated \$402.0 million and \$318.3 million, respectively, and were collateralized by 49 and 52 properties and related tenant leases, respectively. Interest rates on the Company's outstanding mortgage indebtedness ranged from 4.75% to 8.5% with maturities that ranged from March 2008 to November 2032. Certain loans are cross-collateralized and cross-defaulted. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with certain affirmative and negative covenants, including the maintenance of certain debt service coverage and leverage ratios.

The following reflects mortgage loan activity for the year ended December 31, 2007:

During 2007, the Company drew an additional \$17.4 million on two existing construction loans. During September 2007, the Company paid off the remaining \$19.2 million balance of one of these loans. As of December 31, 2007, the outstanding balance on the remaining construction loan was \$10.0 million.

During January 2007, the Company paid off a \$21.5 million loan.

During January 2007, the Company closed on a \$26.0 million loan secured by a property, which bears interest at a fixed rate of 5.4% and matures on February 11, 2017. A portion of the proceeds was used to pay off an existing \$15.7 million loan.

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**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

7. Mortgage Loans, continued

During March 2007, the Company closed on a \$30.0 million revolving facility which bears interest at LIBOR plus 125 basis points and matures on March 29, 2010. As of December 31, 2007, this line of credit was fully available.

During 2007, the Company borrowed \$34.5 million on an existing credit facility.

During July 2007, the Company closed on a new \$26.3 million mortgage loan secured by a property. The loan bears interest at a fixed rate of 5.9% and matures on August 1, 2017. A portion of the proceeds were used to pay down an existing \$12.5 million loan.

During September 2007, the Company extended a \$19.0 million loan that bears fixed interest at 5.8% to a new maturity date of March 1, 2008 and also extended a \$2.9 million loan that bears interest at LIBOR plus 200 basis points to a new maturity date of October 5, 2008.

On September 12, 2007, the Company closed on a \$25.5 million loan secured by a property, which bears interest at a fixed rate of 5.8% and matures on October 1, 2017. A portion of the proceeds were used to pay down an existing \$19.2 million construction loan.

During October 2007, the Company closed on a \$75.0 million revolving facility, which bears interest at the commercial paper rate plus 50 basis points and matures on October 10, 2011. As of December 31, 2007, this facility was fully available.

On October 30, 2007, the Company closed on a \$9.8 million loan secured by a property, which bears interest at LIBOR plus 165 basis points and matures on October 30, 2010.

During October 2007, the Company closed on a construction loan for a property for \$95.3 million. This loan bears interest at LIBOR plus 175 basis points and matures on October 4, 2009. A portion of the proceeds were used to pay down an existing \$18.0 million loan. As of December 31, 2007, the amount outstanding on this loan was \$37.3 million.

During November and December 2007, in conjunction with the sale of four properties, the Company paid off \$26.5 million of debt.

During December 2007, the Company closed on a construction loan for a property for \$35.7 million. This loan bears interest at a fixed rate of 7.2%. Based upon meeting certain conditions, this loan will become permanent after a 2-year period and the interest rate will be adjusted. This loan matures on January 1, 2020. As of December 31, 2007, there was no outstanding balance on this loan.

During December 2007, the Company closed on a construction loan for a property for \$16.2 million. This loan bears interest at a fixed rate of 7.1%. Based upon meeting certain conditions, this loan will become permanent after a 2-year period and the interest rate will be adjusted. This loan matures on January 1, 2020. As of December 31, 2007, there was no outstanding balance on this loan.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Mortgage Loans, continued

The following table summarizes our mortgage indebtedness as of December 31, 2007 and December 31, 2006:

	December 31, 2007	December 31, 2006	Interest Rate at December 31, 2007	Maturity	Properties Encumbered	Payment Terms
(dollars in thousands)						
Mortgage notes payable						
variable-rate						
Washington Mutual Bank, FA	\$	\$ 21,524	6.10% (LIBOR + 1.50%)	4/1/2011	(1)	(29)
Bank of America, N.A.	9,781	9,925	6.00% (LIBOR + 1.40%)	6/29/2012	(2)	(29)
RBS Greenwich Capital	30,000	30,000	5.85% (LIBOR + 1.40%)	4/1/2008	(3)	(30)
Bank of America, N.A.		6,424	6.25% (LIBOR + 1.25%)	12/31/2008	(4)	(30)
PNC Bank, National Association	9,990	5,363	6.60% (LIBOR + 1.65%)	5/18/2009	(5)	(36)
Bank One, N.A.	2,818	2,939	6.35% (LIBOR + 2.00%)	10/5/2008	(6)	(35)
Bank of China, New York Branch		18,000	5.90% (LIBOR + 1.75%)	11/1/2007	(7)	(30)
Bank of America, N.A.	15,773	16,000	5.85% (LIBOR + 1.30%)	12/1/2011	(8)	(29)
Bank of America, N.A.			1.25% (LIBOR + 1.25%)	12/1/2010	(9)	(31)

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			6.25%			
			(LIBOR			
			+			
Anglo Irish Bank Corporation	9,800		1.65%)	10/30/2010	(10)	(30)
			6.35%			
			(LIBOR			
			+			
Eurohypo AG	37,263		1.75%)	10/4/2009	(7)	(36)
			5.35%			
			(LIBOR			
			+			
Bank of America, N.A./Bank of New York	34,500		0.75%)	3/1/2008	(11)	(30)
			4.75%			
			(Commercial			
			Paper +			
Bank of America, N.A.			0.50%)	10/9/2011	(12)	(30)
Interest rate swaps (41)	(34,284)	(16,002)				
Total variable-rate debt	115,641	94,173				
Mortgage notes payable fixed-rate						
Sun America Life Insurance Company	\$	\$ 12,665	6.46%	7/1/2007	(13)	(29)
RBS Greenwich Capital		15,672	5.19%	6/1/2013	(14)	(29)
RBS Greenwich Capital	14,752	14,940	5.64%	9/6/2014	(15)	(29)
RBS Greenwich Capital	17,600	17,600	4.98%	9/6/2015	(16)	(32)
RBS Greenwich Capital	12,500	12,500	5.12%	11/6/2015	(17)	(33)
Bear Stearns Commercial	34,600	34,600	5.53%	1/1/2016	(18)	(34)
Bear Stearns Commercial	20,500	20,500	5.44%	3/1/2016	(19)	(30)
LaSalle Bank, N.A.	3,727	3,782	8.50%	4/11/2028	(20)	(29)
GMAC Commercial	8,451	8,565	6.40%	11/1/2032	(21)	(29)
Column Financial, Inc.	9,834	9,997	5.45%	6/11/2013	(22)	(29)
Merrill Lynch Mortgage Lending, Inc.	23,500	23,500	6.06%	8/29/2016	(23)	(37)
Bank of China	19,000	19,000	5.83%	3/1/2008	(24)	(30)
Cortlandt Deposit Corp	4,950	7,425	6.62%	2/1/2009	(25)	(35)
Cortlandt Deposit Corp	4,893	7,339	6.51%	1/15/2009	(26)	(35)
Bank of America, N.A.	25,500		5.80%	10/1/2017	(4)	(30)
Bear Stearns Commercial	26,250		5.88%	8/1/2017	(13)	(38)
Wachovia	26,000		5.42%	2/11/2017	(14)	(30)
Bear Stearns Commercial			7.18%	1/1/2020	(27)	(36)
Bear Stearns Commercial			7.14%	1/1/2020	(28)	(36)
Interest rate swaps (41)	34,284	16,002	6.18%	(39)		
Total fixed-rate debt	286,341	224,087				
Total fixed and variable debt	401,982	318,260				

Valuation premium on assumption of debt net of amortization (40)	921	1,247
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Total	\$ 402,903	\$ 319,507
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**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

7. Mortgage Loans, continued

Notes:

- (1) Ledgewood Mall
- (2) Village Commons Shopping Center
- (3) 161st Street
- (4) 216th Street
- (5) Liberty Avenue
- (6) Granville Center
- (7) Fordham Place
- (8) Branch Shopping Center
- (9) Marketplace of Absecon
 - Bloomfield Town Square
 - Hobson West Plaza
 - Village Apartments
 - Town Line Plaza
 - Methuen Shopping Center
 - Abington Towne Center
- (10) Tarrytown Center
- (11) Acadia Strategic Opportunity Fund II, LLC
- (12) Acadia Strategic Opportunity Fund III, LLC
- (13) Merrillville Plaza
- (14) 239 Greenwich Avenue
- (15) New Loudon Center
- (16) Crescent Plaza
- (17) Pacesetter Park Shopping Center

- (18) Elmwood Park Shopping Center
- (19) Gateway Shopping Center
- (20) Clark-Diversey
- (21) Boonton Shopping Center
- (22) Chestnut Hill
- (23) Walnut Hill
- (24) Sherman Avenue
- (25) Kroger Portfolio
- (26) Safeway Portfolio
- (27) Pelham Manor
- (28) Atlantic Avenue Self-Storage
- (29) Monthly principal and interest.
- (30) Interest only monthly.
- (31) Annual principal and monthly interest.
- (32) Interest only monthly until 9/10; monthly principal and interest thereafter.
- (33) Interest only monthly until 12/08; monthly principal and interest thereafter.
- (34) Interest only monthly until 1/10; monthly principal and interest thereafter.
- (35) Annual principal and semi-annual interest payments.
- (36) Interest only upon draw down on construction loan.
- (37) Interest only until 10/11, monthly principal and interest thereafter
- (38) Interest only until 7/12, monthly principal and interest thereafter
- (39) Maturing between 1/1/10 and 3/1/12.
- (40) In connection with the assumption of debt in accordance with the requirements of SFAS No. 141, the Company has recorded a valuation premium which is being amortized to interest expense over the remaining terms of the underlying mortgage loans.
- (41) Represents the amount of the company's variable-rate debt that has been fixed through certain cash flow hedge transactions (Note 18).

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Convertible Notes Payable

In December 2006, the Company issued \$100.0 million of convertible notes with a fixed interest rate of 3.75% due 2026 (the Convertible Notes). The Convertible Notes were issued at par and require interest payments semi-annually in arrears on June 15th and December 15th of each year. The Convertible Notes are unsecured unsubordinated obligations and rank equally with all other unsecured and unsubordinated indebtedness. On January 8, 2007, the option to increase the issuance of the Convertible Notes by an additional \$15.0 million, was exercised, resulting in additional proceeds of \$14.7 million. The Convertible Notes had an initial conversion price of \$30.86 per share. Upon conversion of the Convertible Notes, the Company will deliver cash and, in some circumstances, Common Shares, as specified in the indenture relating to the Convertible Notes. The Convertible Notes may only be converted prior to maturity: (i) during any calendar quarter beginning after December 31, 2006 (and only during such calendar quarter), if, and only if, the closing sale price of the Company's Common Shares for at least 20 trading days (whether consecutive or not) in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than 130% of the conversion price per common share in effect on the applicable trading day; or (ii) during the five consecutive trading-day period following any five consecutive trading-day period in which the trading price of the notes was less than 98% of the product of the closing sale price of the Company's Common Shares multiplied by the applicable conversion rate; or (iii) if those notes have been called for redemption, at any time prior to the close of business on the second business day prior to the redemption date; or (iv) if the Company's Common Shares are not listed on a United States national or regional securities exchange for 30 consecutive trading days. Prior to December 20, 2011, the Company will not have the right to redeem Convertible Notes, except to preserve its status as a REIT. After December 20, 2011, the Company will have the right to redeem the notes, in whole or in part, at any time and from time to time, for cash equal to 100% of the principal amount of the notes plus any accrued and unpaid interest to, but not including, the redemption date. The Holders of notes may require the Company to repurchase their notes, in whole or in part, on December 20, 2011, December 15, 2016, and December 15, 2021 for cash equal to 100% of the principal amount of the notes to be repurchased plus any accrued and unpaid interest to, but not including, the repurchase date.

If certain change of control transactions occur prior to December 20, 2011 and a holder elects to convert the Convertible Notes in connection with any such transaction, the Company will increase the conversion rate in connection with such conversion by a number of additional common shares based on the date such transaction becomes effective and the price paid per common share in such transaction. The conversion rate may also be adjusted under certain other circumstances, including the payment of cash dividends in excess of our current regular quarterly cash dividend of \$0.21 per Common Share, but will be not adjusted for accrued and unpaid interest on the notes. Upon a conversion of notes, the Company will deliver cash and, at the Company's election, its Common Shares, with an aggregate value, which the Company refers to as the conversion value, equal to the conversion rate multiplied by the average price of the Company's Common Shares as follows: (i) an amount in cash which the Company refers to as the principal return, equal to the lesser of (a) the principal amount of the converted notes and (b) the conversion value; and (ii) if the conversion value is greater than the principal return, an amount with a value equal to the difference between the conversion value and the principal return, which the Company refers to as the new amount. The net amount may be paid, at the Company's option, in cash, its Common Shares or a combination of cash and its Common Shares.

The scheduled principal repayments of all indebtedness as of December 31, 2007 are as follows:

(dollars in thousands)

2008	\$ 92,199
2009	53,356
2010	11,515
2011	131,870
2012	11,239
Thereafter	216,803

\$ 516,982⁽¹⁾

Note:

- (1) Does not include \$921 net valuation premium on assumption of debt.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Shareholders Equity and Minority Interests**Common Shares**

Through December 31, 2007, the Company had repurchased 2,051,605 Common Shares at a total cost of \$11.7 million (all of these Common Shares have been subsequently reissued) under its share repurchase program that allows for the repurchase of up to \$20.0 million of its outstanding Common Shares. The repurchased shares are reflected as a reduction of Common Shares at par value and additional paid-in capital.

During the first quarter of 2007, 43,865 employee Restricted Shares were cancelled to pay the employees' income taxes due on the value of the portion of the Restricted Shares which vested. During the year ended December 31, 2007, the Company recognized accrued Common Share and Common OP Unit-based compensation totaling \$3.3 million in connection with the vesting of Restricted Shares and Units. (Note 13).

Minority Interests

The following table summarizes the change in the minority interests since December 31, 2006:

	Minority Interest in Operating Partnership	Minority Interest in partially- owned Affiliates
(dollars in thousands)		
Balance at December 31, 2006	\$ 8,673	\$ 105,064
Distributions declared of \$1.033 per Common OP Unit	(690)	
Net income for the period January 1 through December 31, 2007	615	14,601
Distributions paid		(63,691)
Conversion of Series B Preferred OP Units	(4,000)	
Other comprehensive income unrealized loss on valuation of swap agreements	(136)	
Minority Interest contributions		110,542
Employee Long-term Incentive Plan Unit Awards	133	
Balance at December 31, 2007	\$ 4,595	\$ 166,516

Minority interest in the Operating Partnership represents (i) the limited partners' 642,272 Common OP Units at both December 31, 2007 and 2006, (ii) 188 Series A Preferred OP Units at both December 31, 2007 and 2006, with a stated value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$22.50 (9% annually) per Series A Preferred OP Unit or (b) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit were converted into a Common OP Unit, and (iii) 0 and 4,000 Series B Preferred OP Units at December 31, 2007 and December 31, 2006, respectively, with a stated value of \$1,000 per unit, which are entitled to a preferred quarterly distribution of the greater of (a) \$13.00 (5.2% annually) per unit or (b) the quarterly distribution attributable to a Series B Preferred OP Unit if such unit were converted into a Common OP Unit.

During February 2007, Klaff (Note 10) converted 3,800 Series B Preferred Units into 296,412 Common OP Units and ultimately into the same number of Common Shares. During June 2007 Klaff converted its remaining 200 Series B Preferred Units into 15,601 Common OP Units and ultimately into the same number of Common Shares.

Minority interests in partially-owned affiliates include third-party interests in Fund I, II and III, and Mervyns I and II and three other entities.

During July 2005, the Company issued to a third party 11,105 Restricted Common OP Units valued at \$18.01 per unit in connection with the purchase of 4343 Amboy Road. The holder of the Common OP Units was restricted from selling these for six months from the date of the transaction. During June 2006, the Company redeemed for cash the 11,105 Restricted Common OP Units.

During January 2006, the Company acquired a 60% interest in the A&P Shopping Plaza located in Boonton, New Jersey, (Note 2). The remaining 40% interest is owned by a third party and is reflected as minority interest in the accompanying Consolidated Balance Sheets at December 31, 2007 and December 31, 2006.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Shareholders Equity and Minority Interests, continued**Minority Interests, continued**

The following table summarizes the minority interest contributions and distributions in 2007:

	Contributions	Distributions
(dollars in thousands)		
Partially-owned affiliates	\$	\$ (2,641)
Fund I		(3,658)
Fund II	66,050	(17,628)
Mervyns II	2,139	(39,764)
Fund III	42,353	
	\$ 110,542	\$ (63,691)

In February 2005, the Company issued \$4.0 million (250,000 Restricted Common OP Units valued at \$16.00 each) of Restricted Common OP Units to Klaff in consideration for the remaining 25% interest in certain management contract rights previously acquired from Klaff as well as the rights to certain potential future revenue streams. This followed the acquisition of 75% of the management contract rights from Klaff in January 2004 as reflected below. The Restricted Common OP Units are convertible into the Company's Common Shares on a one-for-one basis after a five-year lock-up period. \$1.1 million of the purchase price was allocated to investment in management contracts in the consolidated balance sheet and is being amortized over the estimated remaining life of the contracts.

The Series A Preferred OP Units were issued on November 16, 1999 in connection with the acquisition of all the partnership interests of the limited partnership which owns the Pacesetter Park Shopping Center. Through December 31, 2007, 696 Series A Preferred OP Units were converted into 92,800 Common OP Units and then into Common Shares. The Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by \$7.50. Either the Company or the holders can currently call for the conversion of the Series A Preferred OP Units at the lesser of \$7.50 or the market price of the Common Shares as of the conversion date.

4,000 Series B Preferred OP Units were issued to Klaff during January of 2004 in consideration for the acquisition of 75% of certain management contract rights. The Preferred OP Units are convertible into Common OP Units based on the stated value of \$1,000 divided by \$12.82 at any time. Additionally, Klaff may currently redeem them at par for either cash or Common OP Units. After the fifth anniversary of the issuance, the Company may redeem the Preferred OP Units and convert them into Common OP Units at market value as of the redemption date. The \$4.0 million purchase price is reflected in the investment in management contracts in the consolidated balance sheet and is being amortized over the estimated life of the contracts. For the years ended December 31, 2006 and 2005, \$0.5 million of these Klaff management contracts were written off following the disposition of these assets. During 2007, Klaff converted all 4,000 Series B Preferred Units into 312,013 Common OP Units and ultimately into Common Shares.

10. Related Party Transactions

During January 2004, the Operating Partnership issued 4000 Restricted Preferred OP Units to Klaff for certain management contract rights and the rights to certain potential future revenue streams. During 2007, Klaff converted all of these units into 312,013 Common Shares (Note 9).

During February 2005, the Operating Partnership issued \$4.0 million of Restricted Common OP Units to Klaff for the balance of certain management contract rights as well as the rights to certain potential future revenue streams (Note 9).

During March 2005, the Company completed \$20.0 million Preferred Equity Investment with Levitz SL, of which Klaff is the managing member. In June 2006, the Company converted its Preferred Equity Investment with Levitz SL, into a mortgage loan, (Note 4).

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Related Party Transactions, continued

The Company earns asset management, leasing, disposition, development and construction fees for providing services to an existing portfolio of retail properties and/or leasehold interests in which Klaff has an interest. Fees earned by the Company in connection with this portfolio were \$2.1 million, \$3.5 million and \$3.6 million for the years ended December 31, 2007, 2006 and 2005 respectively.

Lee Wielansky, the Lead Trustee of the Company, was paid a consulting fee of \$0.1 million for each of the years ended December 31, 2007, 2006, and 2005.

11. Tenant Leases

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

Minimum future rentals to be received under non-cancelable leases for shopping centers and other retail properties as of December 31, 2007 are summarized as follows:

(dollars in thousands)	
2008	\$ 84,482
2009	81,036
2010	71,734
2011	58,538
2012	49,778
Thereafter	326,286
	\$ 671,854

Minimum future rentals above include a total of \$7.5 million for three tenants, totaling three leases, which have filed for bankruptcy protection. Two tenants leases have not been rejected nor affirmed. One tenant has filed a notice of rejection dated January 18, 2008. During the years ended December 31, 2007, 2006 and 2005, no single tenant collectively accounted for more than 10% of the Company's total revenues.

12. Lease Obligations

The Company leases land at seven of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. Ground rent expense was \$4.1 million, \$4.5 million, and \$3.5 million (including capitalized ground rent at properties under development of \$2.7 million, \$3.4 million and \$2.7 million) for the years ended December 31, 2007, 2006 and 2005, respectively. The leases terminate at various dates between 2008 and 2066. These leases provide the Company with options to renew for additional terms aggregating from 20 to 60 years. The Company leases space for its White Plains corporate office for a term expiring in 2015. Office rent expense under this lease was \$0.8 million, \$0.6 million and \$0.4 million for the years ended December 31, 2007, 2006 and 2005, respectively. Future minimum rental payments required for leases having remaining non-cancelable lease terms are as follows:

(dollars in thousands)	
2008	\$ 3,904
2009	4,656
2010	5,538
2011	5,575
2013	5,642
Thereafter	101,360

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Share Incentive Plan

During 2003, the Company adopted the 2003 Share Incentive Plan (the 2003 Plan). The 2003 Plan authorizes the issuance of options, share appreciation rights, restricted shares (Restricted Shares), restricted OP units (LTIP Units) and performance units (collectively, Awards) to officers, employees and trustees of the Company and consultants to the Company equal to up to four percent of the total Common Shares of the Company outstanding from time to time on a fully diluted basis. However, no participant may receive more than the equivalent of 1,000,000 Common Shares during the term of the 2003 Plan with respect to Awards. Options are granted by the Compensation Committee (the Committee), which currently consists of two non-employee Trustees, and will not have an exercise price less than 100% of the fair market value of the Common Shares and a term of greater than ten years at the grant date. Vesting of options is at the discretion of the Committee. Share appreciation rights provide for the participant to receive, upon exercise, cash and/or Common Shares, at the discretion of the Committee, equal to the excess of the market value of the Common Shares at the exercise date over the market value of the Common Shares at the grant date. The Committee determines the restrictions placed on Awards, including the dividends or distributions thereon and the term of such restrictions. The Committee also determines the award and vesting of performance units and performance shares based on the attainment of specified performance objectives of the Company within a specified performance period. Through December 31, 2007, no share appreciation rights or performance units/shares had been awarded. During 2006, the Company adopted the 2006 Share Incentive Plan (the 2006 Plan). The 2006 Plan is substantially similar to the 2003 Plan, except that the maximum number of Common Shares equivalents that the Company may issue pursuant to the 2006 Plan is 500,000

On January 15, 2007 (the Grant Date), the Company issued 108,823 Restricted Common Shares (Restricted Shares) to officers and 20,735 Restricted Shares to employees of the Company. The Restricted Shares do not carry the rights of Common Shares, including voting rights, until vesting and may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. All Restricted Shares are subject to the recipients continued employment with the Company through the applicable vesting dates. Vesting with respect to 61,940 of the Restricted Shares issued to officers is over four years with 25% vesting on each of the next four anniversaries of the Grant Date. In addition, vesting on 50% of the Restricted Shares issued to officers is also subject to certain Company performance targets. Vesting with respect to 46,883 of the Restricted Shares issued to officers is over three years with 30% vesting on the first anniversary and 35% vesting on the following two anniversaries of the Grant Date. Vesting with respect to the 20,735 Restricted Shares issued to employees is over four years with 25% vesting on each of the next four anniversaries of the Grant Date. In addition, vesting on 25% of the Restricted Shares issued to employees is also subject to certain total shareholder returns on the Company s Common Shares.

On the Grant Date, the Company also issued 50,000 Restricted Shares to an officer in connection with his promotion to Executive Vice President. Vesting with respect to these Restricted Shares, is over five years with 20% vesting on each of the next five anniversaries of the Grant Date.

Dividends on 46,883 of the Restricted Shares, issued to officers are paid currently on both unvested and vested shares. Dividends on 132,675 of these Restricted Shares will not be paid until such Restricted Shares vest. There will be a cumulative dividend payment upon vesting from the Grant Date to the applicable vesting date.

The total value of the above Restricted Share awards on the date of grant was \$4.5 million. Compensation expense of \$1.1 million has been recognized in the accompanying consolidated financial statements related to these Restricted Shares for the year ended December 31, 2007. The weighted average fair value for shares granted for the years ended December 31, 2007, 2006 and 2005 were \$24.91, \$20.46 and \$16.30, respectively.

On the Grant Date, the Company also issued 20,322 LTIP Units to officers and 1,214 LTIP Units to employees of the Company. LTIP Units are similar to Restricted Shares but provide for a quarterly partnership distribution in a like amount as paid to Common OP Units. This distribution is paid on both unvested and vested LTIP Units. The LTIP Units are convertible into Common OP Units and Common Shares upon vesting and a revaluation of the book capital accounts. Vesting with respect to the LTIP Units is over four years with 25% vesting on each of the next four anniversaries of the Grant Date. In addition, vesting on 50% of the officers LTIP Units and 25% of the employees

LTIP Units are also subject to certain Company performance targets.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Share Incentive Plan, continued

The total value of these LTIP Units on the Grant Date was \$0.5 million. Compensation expense of \$0.1 million has been recognized in the accompanying financial statements related to these LTIP Units for the year ended December 31, 2007.

On May 15, 2007, the Company issued 10,831 Common Shares and the equivalent of 5,096 Common Shares through a deferred compensation plan to Trustees of the Company. In addition, on August 23, 2007, the Company issued an additional 1,918 unrestricted Common Shares to a newly elected Trustee. Trustee fee expense of \$0.5 million for the year ended December 31, 2007 has been recognized in the accompanying consolidated financial statements related to these issuances.

As of December 31, 2007, the Company had 473,738 options outstanding to officers and employees of which 454,106 are vested. These options are for ten-year terms from the grant date and vest in three equal annual installments, which began on the Grant Date. In addition, 58,000 options have been issued, of which all are vested, to non-employee Trustees as of December 31, 2007.

For the years ended December 31, 2007, 2006 and 2005, \$3.3 million, \$2.7 million, and \$1.0 million, respectively, were recognized in compensation expense related to Restricted Share and LTIP Unit grants.

The Company has used the Binomial method for purposes of estimating the fair value in determining compensation expense for options granted for the years ended December 31, 2006 and 2005. No options were issued during 2007. The fair value for the options issued by the Company was estimated at the date of the grant using the following weighted-average assumptions resulting in:

	Years ended December 31,	
	2006	2005
Weighted-average volatility	18.0%	18.0%
Expected dividends	3.6%	4.2%
Expected life (in years)	7.5	7.5
Risk-free interest rate	4.4%	4.0%
Fair value at date of grant (per option)	\$3.03	\$2.57

A summary of option activity under all option arrangements as of December 31, 2007, and changes during the year then ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (dollars in thousands)
Outstanding at January 1, 2007	550,372	\$ 10.01		
Granted				
Exercised	(17,474)	9.94		
Forfeited or Expired	(1,160)	20.65		
Outstanding at December 31, 2007	531,738	\$ 9.99	4.0	\$ 8,305
Exercisable at December 31, 2007	512,106	\$ 9.58	3.9	\$ 8,207

The weighted average Grant Date fair value of options granted during the years 2006 and 2005 was \$3.03 and \$2.57, respectively. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 was \$0.3 million, \$0.1 million and \$0.6 million, respectively.

A summary of the status of the Company's unvested Restricted Shares and LTIP Units as of December 31, 2007 and changes during the year ended December 31, 2007, is presented below:

	Restricted	Weighted		Weighted
	Shares	Grant-Date	LTIP	Grant-Date
	(in	Fair	Units	Fair
	thousands)	Value	(in	Value
Unvested Shares and LTIP Units			thousands)	
Unvested at January 1, 2007	550	\$ 17.27		\$
Granted	180	24.91	22	24.91
Vested	(105)	14.89		
Forfeited	(30)	19.41		
Unvested at December 31, 2007	595	\$ 20.51	22	\$ 24.91

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Share Incentive Plan, continued

As of December 31, 2007, there was \$8.5 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under share incentive plans. That cost is expected to be recognized over a weighted-average period of 2.3 years. The total fair value of Restricted Shares that vested during the years ended December 31, 2007, 2006 and 2005, was \$1.6 million, \$2.5 million and \$1.0 million, respectively.

14. Employee Share Purchase and Deferred Share Plan

The Acadia Realty Trust Employee Share Purchase Plan (the "Purchase Plan"), allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company's Common Shares on either the first day or the last day of the quarter, whichever is lower. The amount of the payroll deductions will not exceed a percentage of the participant's annual compensation that the Committee establishes from time to time, and a participant may not purchase more than 1,000 Common Shares per quarter. Compensation expense will be recognized by the Company to the extent of the above discount to the average closing price of the Common Shares with respect to the applicable quarter. During 2007, 2006 and 2005, 7,123, 5,307 and 6,412 Common Shares, respectively, were purchased by Employees under the Purchase Plan. Associated compensation expense of \$0.03 million was recorded in 2007 and \$0.02 million was recorded in 2006 and 2005.

During August of 2004, the Company adopted a Deferral and Distribution Election pursuant to the 1999 Share Incentive Plan and 2003 Share Incentive Plan, whereby the participants elected to defer receipt of 190,487 Common Shares ("Share Units") that would otherwise would have been issued upon the exercise of certain options. The payment of the option exercise price was made by tendering Common Shares that the participants owned for at least six months prior to the option exercise date. The Share Units are equivalent to a Common Share on a one-for-one basis and carry a dividend equivalent right equal to the dividend rate for the Company's Common shares. The deferral period is determined by each of the participants and generally terminates after the cessation of the participants continuous service with the Company, as defined in the agreement. In December 2004, optionees exercised 346,000 options pursuant to the Deferred Share Election and tendered 155,513 Common Shares in consideration of the option exercise price. In 2004 the Company issued 155,513 Common Shares to optionees and 190,487 Share Units. During 2007, 2006 and 2005 there were no additional Share Units contributed to the plan.

15. Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company currently matches 50% of a plan participant's contribution up to 6% of the employee's annual salary. A plan participant may contribute up to a maximum of 15% of their compensation but not in excess of \$15,500 for the year ended December 31, 2007. The Company contributed \$0.2 million, \$0.2 million and \$0.1 million for the years ended December 31, 2007, 2006 and 2005, respectively.

16. Dividends and Distributions Payable

On December 6, 2007, the Company declared a cash dividend for the quarter ended December 31, 2007 of \$0.21 per Common Share. The dividend was paid on January 15, 2008 to shareholders of record as of December 31, 2007. In addition, on December 21, 2007, the Company announced the successful completion of its 2007 disposition initiatives. In connection with the taxable gains arising from these and earlier property dispositions, the Company's Board of Trustees approved a special dividend totaling \$7.4 million, or \$0.2225 per Common Share, which was paid on January 15, 2008 to the shareholders of record as of December 31, 2007.

17. Federal Income Taxes

The Company has elected to qualify as a REIT in accordance with the Internal Revenue Code (the "Code") and intends at all times to qualify as a REIT under Sections 856 through 860 of the Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual REIT taxable income to its shareholders. As a REIT, the Company generally will not be subject to corporate Federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. As the Company distributed sufficient taxable

income for the years ended December 31, 2007, 2006 and 2005, no U.S. Federal income or excise taxes were incurred. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income taxes at the regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even though the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on any undistributed taxable income. In addition, taxable income from non-REIT activities managed through the Company's TRS are subject to Federal, state and local income taxes.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Federal Income Taxes, continued

The primary difference between the GAAP and tax reported amounts of the Company's assets and liabilities are a higher GAAP basis in its real estate properties. This is primarily the result of assets acquired as a result of property contributions in exchange for OP Units and the utilization of Code Section 1031 deferred exchanges.

Reconciliation between GAAP net income and Federal taxable income

The following unaudited table reconciles GAAP net income to taxable income for the years ended December 31, 2007, 2006 and 2005:

(dollars in thousands)	2007 (Estimated)	2006 (Actual)	2005 (Actual)
Net income	\$ 27,270	\$ 39,013	\$ 20,626
Net income attributable to TRS	2,514	405	1,349
Net income attributable to REIT	24,756	38,608	19,277
Book/tax difference in depreciation and amortization	4,155	4,906	2,817
Book/tax difference on exercise of stock options and vesting of restricted shares	(689)	(397)	(405)
Book/tax difference on capital transactions (1)	8,300	(16,709)	(465)
Other book/tax differences, net	494	2,963	(2,065)
REIT taxable income before dividends paid deduction	\$ 37,016	\$ 29,371	\$ 19,159

Notes:

- (1) Principally the result of the deferral of the gain from the sale of properties for income tax purposes.

Characterization of Distributions:

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

	For the years ended December 31,		
	2007	2006	2005
Ordinary income	51%	100%	95%
Capital gain	49%		3%
Return of capital			2%
	100%	100%	100%

Taxable REIT Subsidiaries (TRS)

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Income taxes have been provided for using the asset and liability method as required by SFAS No. 109. The Company's combined TRS income (loss) and provision (benefit) for income taxes for the years ended December 31, 2007, 2006 and 2005 are summarized as follows:

(dollars in thousands)	2007 (Estimated)	2006 (Actual)	2005 (Actual)
TRS income (loss) before income taxes	\$ 5,077	\$ (296)	\$ 3,458
Provision (benefit) for income taxes:			
Federal	2,097	(590)	1,601
State and local	466	(111)	508
TRS net income	\$ 2,514	\$ 405	\$ 1,349

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Federal Income Taxes, continued**Characterization of Distributions, continued**

The income tax provision (benefit) differs from the amount computed by applying the statutory federal income tax rate to taxable income (loss) before income taxes as follows:

(dollars in thousands)	2007	2006	2005
Federal provision (benefit) at statutory tax rate	\$ 1,726	(100)	\$ 1,210
State and local taxes, net of federal benefit	255	(15)	330
Tax effect of:			
Valuation allowance against deferred tax liability asset			208
Utilization of loss and deduction carry forwards			(115)
Change in estimate	605	(586)	
REIT state, local and franchise taxes	67	193	507
Total provision (benefit) for income taxes	\$ 2,653	\$ (508)	\$ 2,140

18. Financial Instruments**Fair Value of Financial Instruments:**

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

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

Notes Receivable As of December 31, 2007 and 2006, the Company had notes receivable of \$57.7 million and \$36.0 million, respectively. Given the short-term nature of the notes and the fact that several of the notes are demand notes, the Company has determined that the carrying value of the notes receivable approximates fair value.

Derivative Instruments The fair value of these instruments is based upon the estimated amounts the Company would receive or pay to terminate the contracts as of December 31, 2007 and 2006 and is determined using interest rate market pricing models.

Mortgage Notes Payable and Notes Payable As of December 31, 2007 and 2006, the Company has determined the estimated fair value of its mortgage notes payable, including those relating to discontinued operations, were \$519.4 million and \$439.1 million, respectively, by discounting future cash payments utilizing a discount rate equivalent to the rate at which similar mortgage notes payable would be originated under conditions then existing.

Derivative Financial Instruments:

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

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and

subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

As of December 31, 2007 and 2006, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Financial Instruments, continued**Derivative Financial Instruments, continued**

The following table summarizes the notional values and fair values of the Company's derivative financial instruments as of December 31, 2007. The notional value does not represent exposure to credit, interest rate or market risks:

Hedge Type	Notional Value	Rate	Maturity	Fair Value
(dollars in thousands)				
Interest rate swaps				
LIBOR Swap	\$ 4,640	4.71%	01/01/10	\$ (93)
LIBOR Swap	11,410	4.90%	10/01/11	(395)
LIBOR Swap	8,434	5.14%	03/01/12	(383)
LIBOR Swap	9,800	4.47%	10/29/10	(195)
Interest rate swaps	\$ 34,284			(1,066)
Interest rate LIBOR Cap	\$ 30,000	6.0%	04/01/08	(28)
Net Derivative instrument liability				\$ (1,094)

The above derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on mortgage debt. Such instruments are reported at the fair values reflected above. As of December 31, 2007 and 2006, unrealized losses totaling \$1.1 and \$0.2 million, respectively were reflected in accumulated other comprehensive loss.

19. Earnings Per Common Share

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

(dollars in thousands, except per share amounts)	Years ended December 31,		
	2007	2006	2005
Numerator:			
Income from continuing operations basic earnings per share	\$ 18,056	\$ 15,622	\$ 19,320
Effect of dilutive securities:			
Preferred OP Unit distributions	23	254	
Numerator for diluted earnings per share	18,079	15,876	19,320
Denominator:			
Weighted average shares basic earnings per share	32,907	32,502	31,949
Effect of dilutive securities:			
Employee share options	335	314	265
Convertible Preferred OP Units	67	337	

Dilutive potential Common Shares	402	651	265
Denominator for diluted earnings per share	33,309	33,153	32,214
Basic earnings per share from continuing operations	\$ 0.55	\$ 0.48	\$ 0.61
Diluted earnings per share from continuing operations	\$ 0.54	\$ 0.48	\$ 0.60

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ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Earnings Per Common Share, continued

The weighted average shares used in the computation of basic earnings per share include unvested restricted shares (Note 13) and Share Units (Note 14) that are entitled to receive dividend equivalent payments. The effect of the conversion of Common OP Units is not reflected in the above table, as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as minority interest in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share. The conversion of the convertible notes payable (Note 8) is not reflected in the table above as such conversion would be anti-dilutive.

20. Summary of Quarterly Financial Information (unaudited)

The quarterly results of operations of the Company for the years ended December 31, 2007 and 2006 are as follows:

	March 31,	June 30,	September	December
	2007	2007	30,	31,
			2007	2007
(dollars in thousands, except per share amounts)				
Revenue	\$ 24,989	\$ 23,481	\$ 26,282	\$ 26,817
Income from continuing operations	\$ 3,670	\$ 3,028	\$ 8,117	\$ 3,241
Income (loss) from discontinued operations	\$ 166	\$ 6	\$ (421)	\$ 5,786
Income from extraordinary item	\$ 2,883	\$ ¾	\$ 794	\$ ¾
Net income	\$ 6,719	\$ 3,034	\$ 8,490	\$ 9,027
Net income per Common Share basic:				
Income from continuing operations	\$ 0.11	\$ 0.09	\$ 0.25	\$ 0.10
Income (loss) from discontinued operations	0.01	¾	(0.01)	0.17
Income from extraordinary item	0.09	¾	0.02	¾
Net income	\$ 0.21	\$ 0.09	\$ 0.26	\$ 0.27
Net income per Common Share diluted:				
Income from continuing operations	\$ 0.11	\$ 0.09	\$ 0.24	\$ 0.10
Income (loss) from discontinued operations	0.01	¾	(0.01)	0.17
Income from extraordinary item	0.08	¾	0.02	¾
Net income	\$ 0.20	\$ 0.09	\$ 0.25	\$ 0.27
Cash dividends declared per Common Share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.4325
Weighted average Common Shares outstanding:				
Basic	32,753,337	32,934,843	32,965,619	32,972,503
Diluted	33,274,066	33,290,845	33,315,524	33,327,965
			September	December
	March 31,	June 30,	30,	31,
			2006	2006
(dollars in thousands, except per share amounts)				
Revenue	\$ 23,906	\$ 22,303	\$ 24,260	\$ 25,331
Income from continuing operations	\$ 3,667	\$ 4,366	\$ 3,722	\$ 3,867
Income from discontinued operations	\$ 686	\$ 482	\$ 400	\$ 21,823
Net income	\$ 4,353	\$ 4,848	\$ 4,122	\$ 25,690
Net income per Common Share basic:				
Income from continuing operations	\$ 0.11	\$ 0.13	\$ 0.12	\$ 0.12

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Income from discontinued operations	0.02	0.02	0.01	0.67
Net income	\$ 0.13	\$ 0.15	\$ 0.13	\$ 0.79
Net income per Common Share diluted:				
Income from continuing operations	\$ 0.11	\$ 0.13	\$ 0.12	\$ 0.12
Income from discontinued operations	0.02	0.01	0.01	0.66
Net income	\$ 0.13	\$ 0.14	\$ 0.13	\$ 0.78
Cash dividends declared per Common Share	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.20
Weighted average Common Shares outstanding:				
Basic	32,468,204	32,509,360	32,513,398	32,514,803
Diluted	32,766,119	32,810,794	32,836,473	33,186,718

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**ACADIA REALTY TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

21. Commitments and Contingencies

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

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

The Company believes that it is in compliance in all material respects with all Federal, state and local ordinances and regulations regarding hazardous or toxic substances. Management is not aware of any environmental liability that it believes would have a material adverse impact on the Company's financial position or results of operations.

Management is unaware of any instances in which the Company would incur significant environmental costs if any or all properties were sold, disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditure will not arise in the future.

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

22. Subsequent Events

On February 11, 2008, the Company entered into contract to sell the Ledgewood Mall for \$55 million. Ledgewood Mall is a 517,000 square foot enclosed mall in Ledgewood, New Jersey. The Company expects to close on this transaction in the second quarter of 2008.

During the fiscal year ending December 31, 2008, the investment consortium which owns Mervyns (Note 4), sold 41 Mervyns Store locations. The Operating Partnership's share of the gain amounted to approximately \$1.9 million, net of taxes.

During December 2007, the Company, through Fund III, and in conjunction with its current self-storage partner, Storage Post, entered into an agreement to acquire a portfolio of ten self-storage properties from Storage Post's existing institutional investors for approximately \$160 million. During January 2008, the Company, through Fund III, entered into an agreement to acquire an additional Storage Post self-storage project currently under construction for approximately \$11 million. These transactions are expected to close in the first quarter of 2008.

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ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2007

Description	Encumbrances	Costs Capitalized			Buildings & Improvements		Total Depreciation	Date of Acquisition	Construction (c)
		Land	Improvements	Acquisition	Land	Improvements			
Shopping Centers									
Crescent Plaza Brockton, MA	\$ 17,600	\$ 1,147	\$ 7,425	\$ 1,099	\$ 1,147	\$ 8,524	\$ 9,671	\$ 4,898	1984(a)
New Loudon Center Latham, NY	14,752	505	4,161	10,839	505	15,000	15,505	9,170	1982(a)
Ledgewood Mall Ledgewood, NJ		619	5,434	33,200	619	38,634	39,253	28,450	1983(a)
Mark Plaza Edwardsville, PA			4,268	4,690		8,958	8,958	6,177	1968(c)
Blackman Plaza Wilkes-Barre, PA		120		1,599	120	1,599	1,719	687	1968(c)
Plaza 422 Lebanon, PA		190	3,004	730	190	3,734	3,924	2,938	1972(c)
Route 6 Mall Honesdale, PA				12,695	1,664	11,031	12,695	4,964	1995(c)
Bartow Avenue Bronx, NY		1,691	5,803	481	1,691	6,284	7,975	637	2002(c)
Amboy Rd. Shopping Ctr. Staten Island, NY			11,909	1,496		13,405	13,405	830	2005(a)
Abington Towne Center Abington, PA		799	3,197	1,994	799	5,191	5,990	1,646	1998(a)
Bloomfield Town Square Bloomfield Hills, MI		3,443	13,774	8,960	3,443	22,734	26,177	5,173	1998(a)
Walnut Hill Plaza Woonsocket, RI	23,500	3,122	12,488	1,523	3,122	14,011	17,133	3,718	1998(a)
Elmwood Park Plaza Elmwood Park, NJ	34,600	3,248	12,992	14,764	3,798	27,206	31,004	7,549	1998(a)
Merrillville Plaza Hobart, IN	26,250	4,288	17,152	1,516	4,288	18,668	22,956	4,838	1998(a)
Marketplace of Absecon Absecon, NJ		2,573	10,294	2,479	2,577	12,769	15,346	3,220	1998(a)
Clark Diversey Boonton	3,727	11,303	2,903	(1,372)	10,061	2,773	12,834	139	2006(a)
Chestnut Hill Third Avenue	8,451	3,297	7,611	(2,392)	1,328	7,188	8,516	344	2006(a)
Liberty Avenue Tarrytown Centre	9,834	8,978	5,568	(515)	8,289	5,742	14,031	214	2006(a)
Acadia Realty L.P.		11,108	8,038	894	11,855	8,185	20,040	256	2006(a)
	9,990		12,627			12,627	12,627	316	2005(a)
	9,800	2,323	7,396	224	2,323	7,620	9,943	651	2004(a)
			1,455	153		1,608	1,608	1,348	

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Pelham Manor		905			905		905		2004(a)
Hobson West Plaza Naperville, IL		1,793	7,172	718	1,793	7,890	9,683	2,136	1998(a)
Village Commons/ Smithtown Shopping Center	9,781	3,229	12,917	1,866	3,229	14,783	18,012	4,143	1998(a)
Smithtown, NY									
Town Line Plaza Rocky Hill, CT		878	3,510	7,257	907	10,738	11,645	6,849	1998(a)
Branch Shopping Center Village of the Branch, NY	15,773	3,156	12,545	777	3,156	13,322	16,478	3,273	1998(a)

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ACADIA REALTY TRUST
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2007

Description	Encumbrances	Costs Capitalized			Land Improvements	Total	Depreciation	Date of Acquisition	
		Buildings & Land Improvements	Buildings & Land Improvements	Buildings & Land Improvements					
The Methuen Shopping Center Methuen, MA		956	3,826	594	961	4,415	5,376	972	1998(a)
Gateway Shopping Center Burlington, VT	20,500	1,273	5,091	11,536	1,273	16,627	17,900	3,101	1999(a)
Mad River Station Dayton, OH		2,350	9,404	591	2,350	9,995	12,345	2,329	1999(a)
Pacesetter Park Shopping Center Ramapo, NY	12,500	1,475	5,899	1,108	1,475	7,007	8,482	1,791	1999(a)
239 Greenwich Greenwich, CT	26,000	1,817	15,846	502	1,817	16,348	18,165	3,590	1999(c)
Residential Property Winston Salem, NC		3,429	13,716	3,237	3,429	16,953	20,382	4,989	1998(a)
Granville Center	2,818	2,186	8,744	59	2,186	8,803	10,989	1,206	2002(a)
Kroger/Safeway	9,843		48,988	(48)		48,940	48,940	28,127	2003(a)
Various 400 E. Fordham Road Bronx, NY	37,263	11,144	18,010	2,240	13,351	18,043	31,394	1,018	2004(a)
4650 Broadway/Sherman Avenue New York, NY	19,000	25,267			25,267		25,267		2005(a)
216 th Street New York, NY	25,500	7,313		19,286	7,261	19,338	26,599	146	2005(a)
161 st Street Bronx, NY	30,000	16,679	28,410	261	16,679	28,671	45,350	1,731	2005(a)
Oakbrook Oakbrook, IL			6,906	17		6,923	6,923	1,268	2005(a)
West Shore Expressway West 54 th Street		3,380	13,554		3,380	13,554	16,934	265	2007(a)
Atlantic Avenue Canarsie Plaza		16,699	18,704		16,699	18,704	35,403	340	2007(a)
125 Main Street Assoc. Sheepshead Bay		5,322			5,322		5,322		2007(a)
ASOF II, LLC Underdeveloped land	34,500	32,656			32,656		32,656		2007(a)
Properties under development		12,994	4,316		12,994	4,316	17,310	19	2007(a)
		20,391			20,391		20,391		2007(a)
			1,899			1,899	1,899	24	
		250			250		250		
				77,764		77,764	77,764		

\$ 401,982 \$ 234,296 \$ 396,956 \$ 222,822 \$ 235,550 \$ 618,524 \$ 854,074 \$ 155,480

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ACADIA REALTY TRUST
NOTES TO SCHEDULE III
December 31, 2007

1. Depreciation and investments in buildings and improvements reflected in the statements of income is calculated over the estimated useful life of the assets as follows:

Buildings: 30 to 40 years

Improvements: Shorter of lease term or useful life

2. The aggregate gross cost of property included above for Federal income tax purposes was \$407.4 million as of December 31, 2007

3. (a) Reconciliation of Real Estate Properties:

The following table reconciles the real estate properties from January 1, 2005 to December 31, 2007:

(dollars in thousands)	For the year ended December 31,		
	2007	2006	2005
Balance at beginning of year	\$ 650,051	\$ 670,817	\$ 561,370
Transfers ⁽¹⁾		(131,341)	
Other improvements	76,007	40,800	11,599
Reclassification of tenant improvement activities			
Property Acquired	128,016	69,775	97,848
Balance at end of year	\$ 854,074	\$ 650,051	\$ 670,817

Notes:

(1) Reflects the change in accounting for the Brandywine Portfolio following the recapitalization of the investment in January 2006 (Note 1).

3. (b) Reconciliation of Accumulated Depreciation:

The following table reconciles accumulated depreciation from January 1, 2005 to December 31, 2007:

(dollars in thousands)	For the year ended December 31,		
	2007	2006	2005
Balance at beginning of year	\$ 135,085	\$ 122,077	\$ 102,315
Reclassification of tenant improvement activities			
Depreciation related to real estate	20,395	13,008	19,762
Balance at end of year	\$ 155,480	\$ 135,085	\$ 122,077