

ACADIA REALTY TRUST
Form PRE 14A
April 07, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
**Confidential, for Use of the Commission Only (as
permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule §240.14a-12

Acadia Realty Trust (Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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4. Date Filed:

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 15, 2006**

TO OUR SHAREHOLDERS:

Please take notice that the annual meeting of shareholders (the "Annual Meeting") of Acadia Realty Trust (the "Company") will be held on Monday May 15, 2006, at 10:00 a.m., local time, at the offices of Paul, Hastings, Janofsky & Walker, LLP, which are located at Park Avenue Tower, 75 East 55th Street, New York, NY 10022, for the purpose of considering and voting upon:

1. The election of seven trustees to hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified;
 2. The approval of the Acadia Realty Trust 2006 Share Incentive Plan;
 3. The approval of Amendment to Declaration of Trust to Eliminate the 4% Excess Share Provision;
 4. The ratification of the appointment of BDO Seidman, LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2006;
 5. The adjournment or postponement of the Annual Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Annual Meeting to approve the proposals.
 6. Such other business as may properly come before the annual meeting.
- The Board of Trustees of the Company recommends a vote "FOR" each of the proposals. You should carefully review the accompanying proxy statement which contains additional information.

The Board of Trustees has fixed the close of business on March 31, 2006 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

By order of the Board of Trustees,

Robert Masters, Secretary
April __, 2006

IT IS VERY IMPORTANT THAT YOU SUBMIT YOUR PROXY BY FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD. PLEASE COMPLETE, DATE, SIGN AND RETURN PROMPTLY THE ENCLOSED FORM OF PROXY IN THE ENVELOPE PROVIDED FOR THAT PURPOSE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.

YOUR FAILURE TO PROMPTLY RETURN THE PROXY INCREASES THE OPERATING COSTS OF YOUR INVESTMENT.

YOU ARE CORDIALLY INVITED TO PERSONALLY ATTEND THE MEETING, BUT YOU SHOULD VOTE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.

**ACADIA REALTY TRUST
1311 MAMARONECK AVENUE, SUITE 260, WHITE PLAINS, NEW YORK 10605**

**PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD
May 15, 2006**

GENERAL INFORMATION

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This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Trustees (the "Board of Trustees" or "Board") of Acadia Realty Trust (the "Company") for use at the annual meeting of its shareholders (the "Annual Meeting") scheduled to be held on Monday, May 15, 2006, at 10:00 a.m., local time, at the offices of Paul, Hastings, Janofsky & Walker, LLP, which are located at Park Avenue Tower, 75 East 55th Street, New York, NY 10022, or any postponement or adjournment thereof. This Proxy Statement and accompanying form of proxy were first sent to shareholders on or about April __, 2006.

The Company will bear the costs of the solicitation of its proxies in connection with the Annual Meeting, including the costs of preparing, assembling and mailing proxy materials and the handling and tabulation of proxies received. In addition to solicitation of proxies by mail, proxies in connection with the Annual Meeting may be solicited by the trustees, officers and employees of the Company, at no additional compensation, by telephone, telegram, personal interviews or otherwise. Arrangements have been made with brokerage firms, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of common shares of beneficial interest, par value \$.001 per common share of beneficial interest of the Company, (the "Common Shares") held of record by such persons or firms with their nominees, and in connection therewith, such firms will be reimbursed for their reasonable out-of-pocket expenses in forwarding such materials.

All properly executed and unrevoked proxies in the accompanying form that are received in time for the Annual Meeting will be voted at the Annual Meeting in accordance with the specification thereon. If no specification is made, signed proxies will be voted "FOR" each of the proposals set forth in the Notice of Annual Meeting. Any shareholder executing and delivering a proxy has the right to revoke such proxy at any time prior to the voting thereof by notice to the Company. In addition, although the mere attendance at the Annual Meeting will not revoke a proxy, a person present at the Annual Meeting may withdraw his or her proxy and vote at that time in person. Any written notice revoking a proxy should be delivered at or prior to the Annual Meeting to the attention of the Secretary, Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605.

The Board of Trustees recommends a vote "FOR" each of the proposals.

OUTSTANDING SHARES AND VOTING RIGHTS

The outstanding capital shares of the Company as of April 5, 2006 consisted of 31,758,034 Common Shares. Holders of Common Shares are entitled to one vote for each Common Share registered in their names on the record date. The Board of Trustees has fixed the close of business on March 31, 2006 as the record date for determination of shareholders entitled to notice of and to vote at the meeting. The presence, in person or by proxy, of the holders of Common Shares entitled to cast at least a majority of the votes of the outstanding Common Shares on March 31, 2006 will constitute a quorum to transact business at the Annual Meeting.

The approval of a plurality of the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting in the election of trustees will be required to approve the nominees for trustee at the Annual Meeting. There is no cumulative voting in the election of trustees. The approval of a majority of the votes cast by holders of

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Common Shares in person or by proxy at the Annual Meeting will be required to approve the proposals to approve the Company's 2006 Share Incentive Plan and the ratification of the appointment of the independent registered public accounting firm will be required to ratify the appointment of BDO Seidman, LLP as the independent registered public accounting firm. The approval by holders of two-thirds of the outstanding Common Shares in person or by proxy at the Annual Meeting will be required to approve the proposal to amend the Company's Declaration of Trust to Eliminate the 4% Excess Share Provision.

Proxies marked abstain and which have not voted on a particular proposal are included in determining a quorum for the Annual Meeting. Abstentions and broker non-votes are not treated as votes cast in the election of trustees or in the ratification of the appointment of the independent registered public accounting firm, and thus are not the equivalent of votes against a nominee or against the ratification of the appointment of BDO Seidman, LLP as the independent registered public accounting firm, as the case may be, and will not affect the vote with respect to these matters. Abstentions and broker non-votes are treated as votes cast in the approval of the adoption of the Company's 2006 Share Incentive Plan and the amendment to the Company's Declaration of Trust to Eliminate the 4% Excess Share Provision and thus are the equivalent of a vote against the approval of such matters.

PROPOSAL 1 - ELECTION OF TRUSTEES

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There are seven nominees for election as trustees for one-year terms, expiring in 2007 or until their successors are elected. Election of each trustee requires the approval of a plurality of the votes cast by the holders of Common Shares in person or by proxy at the Annual Meeting.

The Company's Bylaws provide that the Board of Trustees may be composed of up to a maximum of 15 members. The Board of Trustees currently consists of seven trustees, each of whom serves until the next annual meeting of shareholders and until his or her successor is duly elected and qualified. As stated elsewhere herein, the enclosed proxy will be voted for the election as trustee of each nominee whose name is set forth below unless a contrary instruction is given. All of the nominees currently serve as trustees of the Company. Management believes that all of its nominees are willing and able to serve the Company as trustees. If any nominee at the time of election is unable or unwilling to serve or is otherwise unavailable for election, and as a consequence thereof, other nominees are designated, the persons named in the enclosed proxy or their substitutes will have the discretion and authority to vote or refrain from voting for other nominees in accordance with their judgment. The Board of Trustees have a nominating committee.

The following is a brief description of the nominees for election as trustees of the Company:

Kenneth F. Bernstein, age 45, has been Chief Executive Officer of the Company since January of 2001. He has been President and Trustee of the Company since August 1998, when the Company acquired substantially all of the assets of RD Capital, Inc. ("RDC") and affiliates. Mr. Bernstein is responsible for strategic planning as well as overseeing the day-to-day activities of the Company including operations, acquisitions and capital markets. From 1990 to August 1998, Mr. Bernstein was the President and Chief Operating Officer of RDC. In such capacity, he was responsible for overseeing the day-to-day operations of RDC, its management companies, and its affiliated partnerships. Prior to joining RDC, Mr. Bernstein was associated with the New York law firm of Battle Fowler, LLP, from 1986 to 1990. Mr. Bernstein received his Bachelor of Arts Degree from the University of Vermont and his Juris Doctorate from Boston University School of Law. Mr. Bernstein also serves on the Board of Directors for BRT Realty Trust. Mr. Bernstein is also a member of the National Association of Corporate Directors.

Douglas Crocker II, age 66, has been a trustee of the Company since November 2003. Mr. Crocker was most recently the Chief Executive Officer of Equity Residential, a multi-family residential REIT. During Mr. Crocker's tenure, Equity Residential grew from 21,000 apartments with a total market cap of \$700 million to a \$17 billion company with over 225,000 apartments. Mr. Crocker was also a former Managing Director of Prudential Securities, and from 1982 to 1992 served as Chief Executive Officer of McKinley Finance Group, a privately held company involved with real estate, banking and corporate finance. From 1979 to 1982 Mr. Crocker was President of American

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Invesco, the nation's largest condominium conversion company, and from 1969 to 1979 served as Vice President of Arlen Realty and Development Company. He currently sits on the boards of real estate companies Ventas, Wellsford Real Properties, Reckson Associates, Post Properties and also serves on the board of National Water and Power, Inc. Mr. Crocker has been a five-time recipient of Commercial Property News' Multifamily Executive of the Year Award, a three-time winner of their REIT Executive of the Year Award and three-time winner of Realty Stock Review's Outstanding CEO Award. He has over forty years of real estate experience. Mr. Crocker is also a member of the National Association of Corporate Directors.

Alan S. Forman, age 40, has been a trustee of the Company since August 2002. Mr. Forman is a Director of the Yale University Investments Office, with general responsibility for the Yale Endowment's \$2.2 billion portfolio of real estate investments. Mr. Forman received his B.A. degree from Dartmouth College in 1987 and an M.B.A. degree from Stern School of Business at New York University in 1990. Later that year, Mr. Forman joined the Yale University Investments Office as a Financial Analyst. In 1993, he was awarded the Chartered Financial Analyst (CFA) designation by the Association for Investment Management and Research (AIMR) after completing the requisite examinations. Mr. Forman is a member of the Managing Board of Kimpton Group Holding, LLC. Mr. Forman is also a member of the National Association of Corporate Directors.

Suzanne M. Hopgood, age 56, Ms. Hopgood was responsible for overseeing a \$1 Billion equity real estate investment portfolio for Aetna Realty Investors prior to founding The Hopgood Group, LLC, a provider of workout consulting and interim management services. She has served as Chairman of the Board of two public companies: Del Global Technologies (DGTC) and Chairman of the Board and CEO of Furr's Restaurant Group, Inc. (NYSE: FRG). She has served as Chairman of an Audit Committee and she is a Financial Expert. She has twice served as

a member of board slates elected in proxy contests initiated by institutional investors. Ms. Hopgood has extensive experience in corporate workouts, turnarounds and restructuring. She is the Chairman of the National Association of Corporate Directors, Connecticut Chapter, is an NACD Certified Director and co-authored, [Board Leadership for the Company in Crisis]. Ms. Hopgood served as President, Chief Executive Officer and as a director of Houlihan's Restaurant Group, Inc. Ms. Hopgood was hired by Houlihan's at a time of financial distress to apply her expertise in crisis and turnaround management. After its operations were stabilized, control of Houlihan's was transferred to its secured lenders in October 2001, at which time they installed a new management team. Houlihan's filed for Chapter 11 bankruptcy on January 23, 2002, was successfully reorganized and emerged from bankruptcy on October 1, 2002 with the equity sponsorship of the new management team and the secured lenders.

Lorrence T. Kellar, age 68, has been a trustee of the Company since November 2003 and is a Financial Expert. Mr. Kellar is currently Vice President, Retail Development for Continental Properties and is a director of Multi-Color Corporation (Chairman), Frisch's Restaurants, and Spar Group, Inc. Prior to joining Continental Properties, Mr. Kellar served as Vice President of Real Estate with Kmart Corporation from 1996 to 2002. From 1965 to 1996, Mr. Kellar served with The Kroger Co., the country's largest supermarket company, where his final position was Group Vice President of Finance and Real Estate. Mr. Kellar is also a member of the National Association of Corporate Directors.

Wendy Luscombe, age 54, is President and CEO of WKL Associates, Inc.; a real estate consultant founded in 1994. Ms. Luscombe has managed investment portfolios totaling \$5 billion over the last 25 years and has represented foreign investors including the UK Prudential and British Coal Pension Funds in their US real estate investment initiatives. For 10 years she was CEO of Pan American Properties, Inc. the REIT sponsored by British Coal Pension Funds. She was also a member of the Board of Governors of NAREIT. Ms. Luscombe has served on various boards of public companies in both the USA and UK for over 20 years and is a Financial Expert. She currently serves as a Board Member, Chairman of the Investment Committee and member of the Audit Committee for PXRE Group Ltd., a NYSE listed reinsurance company. She also serves as Board Member and Audit Committee Member for the Zweig Fund and Zweig Total Return Fund, public closed-end mutual funds. Additionally, she serves as Chairman of the Management Oversight Committee for the Deutsche Bank International Real Estate Opportunities Fund and as Board Member for Endeavour Real Estate Securities a private REIT mutual fund. Ms. Luscombe is also a member of the National Association of Corporate Directors and an NACD Certified Director, a member of the International Corporate Governance Network, a Fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators.

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Lee S. Wielansky, age 54, has been a trustee of the Company since May 2000. Mr. Wielansky is Chairman and Chief Executive Officer of Midland Development Group, Inc., which focuses on the development of retail properties in the Mid-West and South-East. From November 2000 to March 2003, Mr. Wielansky served as Chief Executive Officer and President of JDN Development Company, Inc. and a director of JDN Realty Corporation through its merger with Developers Diversified Realty Corporation in 2003. He was also a founding partner and Chief Executive Officer of Midland Development Group, Inc. from 1983 through 1998 when the company was sold to Regency Centers Corporation. Mr. Wielansky also serves as a Board Member of Pulaski Bank. Mr. Wielansky is also a member of the National Association of Corporate Directors.

Vote Required; Recommendation

The election to the Board of Trustees of each of the seven nominees will require the approval of a plurality of the votes cast by the holders of Common Shares in person or by proxy at the Annual Meeting. The Board of Trustees unanimously recommends that the shareholders vote [FOR] the election of each of the seven nominees to the Board of Trustees.

PROPOSAL 2 [APPROVAL OF THE 2006 SHARE INCENTIVE PLAN

On March 9, 2006, the Board of Trustees approved the 2006 Share Incentive Plan (the [2006 Plan]), subject to the approval of the shareholders of the Company at the Annual Meeting, because the Board of Trustees believes that the 2006 Plan is an important factor in attracting, retaining and motivating employees and trustees of the Company. Moreover, only approximately 200,000 Common Shares currently remain available for future grants under the Company's 2003 Share Incentive Plan (the [2003 Plan]). Although additional Common Shares could become available for grant under the 2003 Plan in the future as a result of the non-exercise of existing awards

under that Plan (or increases in the number of the Common Shares outstanding from time to time on a fully diluted basis), the Board of Trustees believes that the Company needs a greater reserve of Shares for future awards to key personnel. The 2006 Plan is substantially similar to the 2003 Plan, except that the maximum number of Common Shares that the Company may issue pursuant to the 2006 Plan is 1,000,000. The 2006 Plan does not supersede or change the material terms of the 2003 Plan, which the Company will continue to operate in accordance with past practice. The Company will at its expense register with the SEC on a Form S-8 Registration Statement the 1,000,000 Common Shares that would be issuable under the 2006 Plan.

The 2006 Plan provides for the granting of Options, Share Appreciation Rights, Restricted Shares, Unrestricted Shares, Performance Shares and Performance Units (collectively, "Awards") to officers, employees and trustees of the Company and its subsidiaries and consultants and advisors to the Company or its subsidiaries (collectively, "Participants"). The class of Participants currently is approximately 100 to 125 persons. The following is a summary of certain provisions of the 2006 Plan and is qualified by reference to the complete plan, a copy of which is attached as Exhibit B. Terms below that appear in initial capital letters have the special meaning set forth either above or in the 2006 Plan.

SUMMARY OF THE 2006 SHARE INCENTIVE PLAN

The 2006 Plan provides financial incentives to the Participants, rewarding them for making significant contributions to the Company's success and encouraging them to align their interests with those of the Company and its shareholders. The 2006 Plan also assists the Company in attracting and retaining competent and dedicated individuals whose efforts are important in helping the Company achieve its long-term growth objectives.

The 2006 Plan is administered by a "Committee" which is composed of at least two Non-management Trustees of the Company, each of whom satisfies the requirements for a "non-management director" within the meaning of Rule 16b-3 promulgated under Section 16(b) ("Rule 16b-3") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and to the extent compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended ("Code") is desired, an "outside director" within the meaning of regulations promulgated under Section 162(m) of the Code. Pursuant to the 2006 Plan, the Committee selects Participants to whom Awards will be granted

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and determines the type, size, terms and conditions of Awards, including the per share purchase price and vesting provisions of Options and the restrictions or performance criteria relating to Restricted Share and Performance Awards. The Committee administers construes and interprets the 2006 Plan. The Board may nevertheless act in lieu of the Committee, and has sole discretion with respect to making annual grants of Options and Unrestricted Shares to non-management trustees pursuant to Section 5 of the Plan and to making annual grants of Options and Restricted Shares to officers and employees.

Securities Offered

The maximum number of Common Shares that may be issued pursuant to Options and Awards granted under the 2006 Plan shall be 1,000,000 Common Shares. No Participant may receive more than 1,000,000 Common Shares during the term of the 2006 Plan in respect of Awards. In the event of any Change in Capitalization, the Committee may adjust the maximum number and class of Common Shares with respect to which Awards may be granted under the 2006 Plan, the maximum number of Common Shares with respect to which Awards may be granted to any Participant during the term of the 2006 Plan, the number and class of Common Shares which are subject to outstanding Awards granted under the 2006 Plan, and if applicable, the purchase price therefor. In addition, if any Award expires or terminates without having been exercised, the Common Shares subject to that Award again become available for grant under the 2006 Plan.

Individuals Who May Participate in the 2006 Plan

All of the Company's (and its subsidiaries') officers, employees and trustees together with its (and its subsidiaries') consultants and advisors are eligible to receive Awards under the 2006 Plan. Awards under the 2006 Plan are granted at the sole discretion of the Committee; subject to a limit of 1,000,000 Common Shares that applies both to the granting or exercise of all incentive share options, and of Awards to any individual for any calendar year or during the term of the 2006 Plan. The granting of an Award does not confer upon the Participant any right to

continue in the employ or service of the Company or affect any right or power of the Company to terminate the services of such Participant at any time. As of the date of this proxy statement, no awards under the 2006 Plan have been granted to Participants.

Awards

Options: The Committee may grant to Participants Options to purchase Common Shares. Subject to the provisions of the Code, Options may either be Incentive Share Options (within the meaning of Section 422 of the Code) or Nonqualified Share Options. On the first business day following each Annual Meeting, Non-management Trustees will receive an automatic Option grant to purchase 3,000 Common Shares (except to the extent a grant occurs under the same provision of the 2003 Plan). The per Common Share purchase price (i.e., the "exercise price") under each Option is established by the Committee at the time the Option is granted. The per Common Share exercise price of any Option may not be less than 100% of the Fair Market Value, determined in the same manner described above for the 2003 Plan as proposed herein for the 2006 Plan, of a Common Share on the date the Option is granted (110% in the case of an Incentive Share Option granted to a Ten-Percent Shareholder). Options may be exercisable at such times and in such installments as determined by the Committee. The Committee may accelerate the exercisability of any Option at any time. Each Non-management Trustee Option has a ten year term (subject to earlier termination if the Trustee ceases to serve on the Board of Trustees) and each other Option granted pursuant to the 2006 Plan has such term as determined by the Committee, provided, however, that no Option may be exercisable after the expiration of ten years from its grant date (five years in the case of an Incentive Share Option granted to a Ten-Percent Shareholder). The Agreement evidencing the Option grant will set forth the terms and conditions applicable to such Option upon a termination or change in the employment or service status of the Optionee as determined by the Committee and in accordance with the 2006 Plan.

Unless permitted by the Committee, Options are not transferable by the Optionee other than by will or the laws of descent and distribution and may be exercised during the Optionee's lifetime only by the Optionee or the Optionee's guardian or legal representative. The purchase price for Common Shares acquired pursuant to the exercise of an

Option must be paid (i) in cash, (ii) by transferring Common Shares to the Company, or (iii) a combination of the foregoing, upon such terms and conditions as determined by the Committee. Notwithstanding the foregoing, the Committee may establish cashless exercise procedures which provide for the simultaneous exercise of an Option and sale of the underlying Common Share [or payment to the Optionee of the difference between the exercise price and the closing price of the Common Shares on the date preceding the exercise date]. Upon a Change in Control, all Options outstanding under the 2006 Plan will become immediately and fully exercisable.

Share Appreciation Rights. The 2006 Plan permits the granting of Share Appreciation Rights to Participants in connection with an Option or as a freestanding right. A Share Appreciation Right permits the Grantee to receive, upon exercise, cash and/or Common Shares, at the discretion of the Committee, equal in value to an amount determined by multiplying (i) the excess, if any, of (x) for those granted in connection with an Option, the per Common Share Fair Market Value on the date preceding the exercise date over the per Common Share purchase price under the related Option, or (y) for those not granted in connection with an Option, the per Common Share Fair Market Value on the date preceding the exercise date over the per Common Share Fair Market Value on the grant date of the Share Appreciation Right by (ii) the number of Common Shares as to which such Share Appreciation Right is being exercised.

Share Appreciation Rights granted in connection with an Option cover the same Common Shares as those covered by such Option and are generally subject to the same terms. A Share Appreciation Right granted in connection with an Incentive Share Option is exercisable only if the Fair Market Value of a Common Share on the exercise date exceeds the purchase price specified in the related Incentive Share Option Agreement. Freestanding Share Appreciation Rights may be granted on such terms and conditions as shall be determined by the Committee, but may not have a term of greater than ten years. Upon a Change in Control, all Share Appreciation Rights will become immediately and fully exercisable.

Restricted Shares: The terms of a Restricted Share Award, including the restrictions placed on such Common Shares and the time or times at which such restrictions will lapse, will be determined by the Committee at the time the Award is made. The Committee may determine at the time an Award of Restricted Share is granted that dividends paid on such Restricted Shares may be paid to the Grantee or deferred and, if deferred, whether such

dividends will be reinvested in Common Shares. Deferred dividends (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on Restricted Shares or forfeited upon the forfeiture of Restricted Shares. The agreements evidencing Awards of Restricted Shares will set forth the terms and conditions of such Awards upon a Grantee's termination of employment or service. The extent, if any, to which the restrictions on Restricted Shares will lapse upon a Change in Control will be determined by the Committee at the time of the grant of the Award of Restricted Shares and set forth in the Agreement evidencing the Award.

Unrestricted Shares: On the first business day following the Company's Annual Meeting of Shareholders in each year that the 2006 Plan is in effect, Unrestricted Shares will be granted to each Non-management Trustee, the number of such Unrestricted Shares to be subject to the discretion of the Board of Trustees. As soon as practicable following the grant of Unrestricted Shares, the Committee shall deliver to each Non-management Trustee a share certificate.

Performance Units and Performance Shares: Performance Units and Performance Shares may be awarded at such times as the Committee may determine and the vesting of Performance Units and Performance Shares is based upon the attainment of specified performance objectives by the Company, a subsidiary or a division within the specified performance period (the "Performance Cycle"). Performance objectives and the length of the Performance Cycle for Performance Units and Performance Shares may be determined by the Committee at the time the Award is made. Prior to the end of a Performance Cycle, the Committee, in its discretion, may adjust the performance objectives to reflect a Change in Capitalization, a change in the tax rate or book tax rate of the Company or any subsidiary, or any other event which may materially affect the performance of the Company, a subsidiary or division. The agreements evidencing Awards of Performance Units and Performance Shares may set forth the terms and conditions of such Awards, including those applicable in the event of the Grantee's termination of employment or service. Each Performance Unit will represent one Common Share and payments in respect of vested Performance Units will be made in cash, Common Shares or Restricted Shares or any combination of the foregoing. The Committee may determine the total number of Performance Shares subject to an Award and the time or times at which the

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Performance Shares will be issued to the Grantee at the time the Award is made. In addition, the Committee may determine (a) the time or times at which the awarded but not issued Performance Shares will be issued to the grantee and (b) the time or times at which awarded and issued Performance Shares will become vested in or forfeited by the Grantee, in either case based upon the attainment of specified performance objectives within the Performance Cycle. At the time the Award of Performance Shares is made, the Committee may determine that dividends be paid or deferred on the Performance Shares issued. Deferred dividends (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on Performance Shares or forfeited upon the forfeiture of Performance Shares. Upon a Change in Control, (x) a percentage of Performance Units, as determined by the Committee at the time an Award of Performance Units is made, will become vested and the Grantee will be entitled to receive a cash payment equal to the per Common Share Fair Market Value multiplied by the number of Performance Units which become vested, and (y) with respect to Performance Shares, all restrictions will lapse on a percentage of the Performance Shares, as determined by the Committee at the time the Award of Performance Shares is made.

Additional Information

The Committee shall have the sole discretion to interpret the requirements of the Code, including Section 409A, for purposes of the 2006 Plan and all Awards granted thereunder. The Committee, in its discretion, may require deferral election forms or decide to grant or unilaterally modify any Award consistent with the Committee's interpretation of the requirements of the Code. In the event of a deferral election, the Committee will cause any deferred distribution to occur at the next earliest distribution event allowable under 409A.

The 2006 Plan provides that in satisfaction of the federal, state and local income taxes and other amounts as may be required by law to be withheld with respect to an Option or Award, the Optionee or Grantee may make a written election to have withheld a portion of the Common Shares issuable to him or her having an aggregate Fair Market Value equal to the withholding taxes.

The Committee has the authority at the time a grant of Options or an Award is made to award designated Optionees or Grantees tax bonuses that will be paid on the exercise of such Options or payment of such Awards. The Committee will have full authority to determine the amount of any such tax bonus and the terms and

conditions affecting the vesting and payment thereof.

The 2006 Plan will terminate on the day preceding the tenth anniversary of its effective date. The Board of Trustees may terminate or amend the 2006 Plan at any time, except that (i) no such amendment or termination may adversely affect outstanding Awards, and (ii) to the extent necessary under applicable law or securities exchange rule, no amendment will be effective unless approved by shareholders.

Certain Federal Income Tax Consequences

In general, an Optionee will not recognize taxable income upon grant or exercise of an Incentive Share Option and the Company will not be entitled to any business expense deduction with respect to the grant or exercise of an Incentive Share Option. (However, upon the exercise of an Incentive Share Option, the excess of the fair market value on the date of the exercise of the Common Shares received over the exercise price of Common Shares will be treated as an adjustment to alternative minimum taxable income). In order for the exercise of an Incentive Share Option to qualify for the foregoing tax treatment, the Optionee generally must be an employee of the Company or a Subsidiary from the date the Incentive Share Option is granted through the date three months before the date of exercise, except in the case of death or disability, where special rules apply.

If the Optionee has held the Common Shares acquired upon exercise of an Incentive Share Option for at least two years after the date of grant and for at least one year after the date of exercise, upon disposition of the Common Shares by the Optionee, the difference, if any, between the sale price of the Common Shares and the exercise price of the Option will be treated as long-term capital gain or loss. If the Optionee does not satisfy these holding period requirements, the Optionee will recognize ordinary income at the time of the disposition of the Common Shares, generally in an amount equal to the excess of the fair market value of the Common Shares at the time the Option was exercised over the exercise price of the Option. The balance of gain realized, if any, will be long-term or short-term

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capital gain, depending on whether or not the Common Shares were sold more than one year after the Option was exercised. If the Optionee sells the Common Shares prior to the satisfaction of the holding period requirements but at a price below the Fair Market Value of the Common Shares at the time the Option was exercised, the amount of ordinary income will be limited to the excess of the amount realized on the sale over the exercise price of the Option. Subject to the discussion below with respect to Section 162(m) of the Code, the Company will be allowed a business expense deduction to the extent the Optionee recognizes ordinary income.

In general, an Optionee to whom a Nonqualified Share Option is granted will recognize no income at the time of the grant of the Option. Upon exercise of a Nonqualified Share Option, an Optionee will recognize ordinary income in an amount equal to the amount by which the fair market value of the Common Shares on the date of exercise exceeds the exercise price of the Option (special rules may apply in the case of an Optionee who is subject to Section 16(b) of the Exchange Act). Subject to the discussion below with respect to Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and at the same time as the Optionee recognizes ordinary income.

Share Appreciation Rights

Upon exercise of a Share Appreciation Right, the Optionee will recognize ordinary income in an amount equal to the cash or Fair Market Value of the Common Shares received on the exercise date. Subject to the discussion below with respect to Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and at the same time as the Optionee of a Share Appreciation Right recognizes ordinary income.

Restricted Shares

Generally, a Participant will not recognize income upon the grant of Restricted Shares. However, a Participant will recognize ordinary income in an amount equal to the excess of the Fair Market Value of the Restricted Shares at the end of the applicable restricted period over the amount (if any) paid by the Participant. Subject to the discussion below with respect to Section 162(m) of the Code, the Company is entitled to a corresponding deduction equal to the amount of ordinary income recognized by the Participant. Any disposition of the Restricted Share by a Participant after the end of the restricted period will result in a long-term or short-term capital gain or

loss (depending on the length of time the Restricted Share is held after the end of the restricted period). Dividends received by a Participant prior to the end of the restricted period will constitute ordinary income to the Participant in the year paid. Subject to the discussion below with respect to Section 162(m) of the Code, the Company is entitled to a corresponding deduction for such amounts.

Unrestricted Shares

A Participant will recognize ordinary income upon the grant of Unrestricted Shares, in an amount equal to the Fair Market Value of the Unrestricted Shares. Subject to the discussion below with respect to Section 162(m) of the Code, the Company is entitled to a corresponding deduction equal to the amount of ordinary income recognized by the Participant. Any disposition of the Unrestricted Share by a Participant will result in a long-term or short-term capital gain or loss (depending on the length of time the Unrestricted Share is held).

Performance Shares and Performance Units

Generally, a Participant will not recognize taxable income upon the grant of a Performance Share or Performance Unit. A Participant will recognize ordinary income equal to any cash that is paid or the Fair Market Value of any Common Shares transferred in settlement of a Performance Unit. To the extent Performance Units are settled in Restricted Shares, the Participant will recognize ordinary income at the end of the applicable restricted period as described above. A Participant will recognize ordinary income in an amount equal to the Fair Market Value of the Performance Shares at the time the restrictions on such Performance Shares lapse. Any deferred dividends are taken into income when paid. Subject to the discussion below with respect to Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and at the same time as the Participant recognizes ordinary income.

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A Participant may, within thirty days after the date of the grant of Restricted Shares or the transfer of Restricted Shares pursuant to an Award, elect to recognize ordinary income as of the date of grant or transfer in an amount equal to the excess of fair market value of such shares on such date of grant or transfer over the amount (if any) paid by the Participant.

Under certain circumstances, the accelerated vesting of Options or the accelerated lapse of restrictions on other Awards in connection with a change in control of the Company might be deemed an "excess parachute payment" for purposes of the golden parachute tax provisions of Section 280G of the Code. To the extent it is so considered, the Optionee may be subject to a 20% excise tax and the Company may be denied a tax deduction. Section 162(m) of the Code and the regulations thereunder generally would disallow the Company a federal income tax deduction for compensation paid to the chief executive officer and the four other most highly compensated executive officers to the extent such compensation paid to any of such individuals exceeds one million dollars in any year.

Section 162(m) generally does not disallow a deduction for payments of qualified "performance-based compensation" the material terms of which have been approved by shareholders. The Company intends that compensation attributable to Options, Share Appreciation Rights and Performance Shares granted under the 2006 Plan will be qualified "performance-based compensation." To qualify, the Company is seeking shareholder approval of the 2006 Plan.

New Plan Benefits

The Board of Trustees has not made any Awards under the 2006 Plan, and has not determined what Awards, if any, will occur if the 2006 Plan receives shareholder approval at the Annual Meeting. If the 2006 Plan had been in effect for the Company's 2005 fiscal year, no Awards would have occurred because all awards occurred under the 2003 Share Incentive Plan. As of the date of this proxy statement and assuming the 2006 Plan had been in effect, a total of 1,000,000 Common Shares would be available for grant under the 2006 Plan.

Vote Required; Recommendation

The approval of a majority of the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting is required to ratify the Company's approval of the 2006 Share Incentive Plan. The Board of Trustees unanimously recommends that the shareholders vote FOR the ratification of the Company's approval of the 2006

Share Incentive Plan.

PROPOSAL 3 □ APPROVAL OF AMENDMENT TO DECLARATION OF TRUST TO ELIMINATE THE 4% EXCESS SHARE PROVISION

Overview

After careful consideration, the Company's Board of Trustees has concluded that it is in the best interests of the Company's shareholders to eliminate the 4% excess share and related provisions in the Company's Amended Declaration of Trust. To effect this change, the Board of Trustees has unanimously approved and recommends for approval by shareholders an amendment to the Company's Amended Declaration of Trust revising the definition of "Excess Shares" in Section 6.6(c), the definition of "Excepted Person" in Section 6.6(d) as well as other related provisions of the Amended Declaration of Trust. The current excess share provisions and the effect of the proposed amendments are summarized below.

The Amended Declaration of Trust contains two excess share provisions. One provision, the Related Party Limit provision, prohibits shareholders from acquiring in excess of 9.8% of the Company's Common Shares. The second provision, the Excess Shares provision, sets the limit at 4% of the Company's Common Shares. The proposed amendment eliminates the 4% limit by redefining the Excess Shares and Excepted Persons limits as 9.8% of the Company's Common Shares. Since the Excess Shares provision would then duplicate the Related Party Limit, the Company also proposed to delete references to the Related Party Limit from the Amended Declaration of Trust.

Exhibit C provides the proposed amendments to the Amended Declaration of Trust.

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Current Provision

The 4% excess share provision requires prospective transferees to provide notice to the Company of any transfer of Common Shares (or other securities convertible into Common Shares) which could result in the transferee's direct or indirect ownership of Common Shares exceeding 4% of the lesser of the number or the value of the Company's total outstanding Common Shares. In addition to providing notice to the Company, the transferee is also required to provide the Company with certain opinions of counsel, affidavits, undertakings, agreements and other such information required by the Company no later than the 15th day prior to the transfer. The Amended Declaration of Trust voids *ab initio* such transfers and enables the Company to purchase any or all of the Common Shares that are proposed to be transferred. In addition, the Amended Declaration of Trust exempts transfers to Excepted Persons from the 4% excess share provision, provided that the ownership by such Persons in excess of 4% of the lesser of the value or number of the Company's outstanding Common Shares would not jeopardize the Company's status as a real estate investment trust. Excepted persons include Marvin L. Slomowitz, the Company's former chief executive officer, and any Trustee, employee and any other person approved by the Company in its sole discretion.

Reasons for the Amendment

The excess share and Excepted Person provisions were included in the Declaration of Trust to prevent shareholders from jeopardizing the Company's status as a real estate investment trust (REIT). One of the requirements of a REIT is that five or fewer shareholders may not own more than 50% of a REIT's shares during the last half of the taxable year. When the Company originally adopted the Declaration of Trust, the former chief executive officer owned a large number of the Company's Common Shares. To ensure that the Company did not violate the aforementioned REIT requirement and jeopardize its REIT status, the Company included the 4% Excess Share and Excepted Person provisions in its Declaration of Trust. However, as the former chief executive officer is no longer employed by the Company and does not own a significant number of the Company's Common Shares, the Board of Trustees believes that these provisions are no longer necessary. Furthermore, the Board of Trustees has waived these provisions for a number of institutional shareholders who desired to acquire more than 4% of the Company's Common Shares.

The elimination of the 4% Excess Share and Excepted Person provisions will enable shareholders to acquire more significant stakes in the Company without seeking a waiver from the Board of Trustees but will not jeopardize the Company's status as a REIT. This will enable the Company to broaden its shareholder base, particularly among

investors who acquire substantial stakes in companies. The revised excess share provisions will still prevent any transfers of securities which could result in the direct or indirect ownership of shares by transferees exceeding 9.8% of the Company's outstanding Common Shares. Accordingly, the Board of Trustees believes that the 4% Excess Share and Excepted Person provisions are no longer necessary and are not in the best interests of the Company or its shareholders.

Vote Required; Recommendation

The affirmative vote by holders of two-thirds of the Company's outstanding Common Shares in person or by proxy at the Annual Meeting is required to approve the proposal. The Board of Trustees unanimously recommends that the shareholders vote FOR the proposal.

PROPOSAL 4 RATIFICATION OF APPOINTMENT OF AUDITORS

The Board of Trustees has selected BDO Seidman, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006, and has directed that the selection of the independent registered public accounting firm be submitted for ratification by the shareholders at the Annual Meeting.

Shareholder ratification of the selection of BDO Seidman, LLP as the Company's independent registered public accounting firm is not required by the Company's Declaration of Trust, Bylaws or otherwise. However, the Board of Trustees is submitting the selection of BDO Seidman, LLP to the shareholders for ratification as a matter of what it considers to be good corporate practice. Notwithstanding the ratification of, or failure to ratify the selection, the Audit Committee of the Board of Trustees in its discretion may direct the appointment of a different independent

accounting firm at any time during the year if the audit committee determines that such a change would be in the best interests of the Company and its subsidiaries.

Representatives of BDO Seidman, LLP are not expected to be present at the Annual Meeting.

Vote Required; Recommendation

The approval of a majority of the votes cast by holders of Common Shares in person or by proxy at the Annual Meeting in the ratification of the appointment of the independent registered public accounting firm is required to ratify the appointment of BDO Seidman, LLP as the independent registered public accounting firm. The Board of Trustees unanimously recommends that the shareholders vote FOR the ratification of BDO Seidman, LLP as the independent registered public accounting firm.

MANAGEMENT

Meetings and Attendance

During 2005, the Board of Trustees held seven meetings, the audit committee held eight meetings, the compensation committee held four meetings and the nominating and corporate governance committee held four meetings. The average attendance in the aggregate of the total number of Board of Trustees and committee meetings was 95%, and no trustee attended fewer than 75% of the aggregate of all meetings of the Board of Trustees and applicable committee meetings. The Company does not have a formal policy requiring trustees to be present at annual meetings, although the Company does encourage their attendance. Consistent attendance with a minimum of missed meetings is important in carrying out the responsibilities of being a trustee. To date, excessive absences have not been an issue. All of the Company's trustees attended the 2005 annual meeting.

Trustees and Executive Officers

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The trustees and executive officers of the Company as of the date of this proxy statement are as follows:

Name	Age	Office Held	Year First Became Officer/ Trustee	Term Expires
Kenneth F. Bernstein	45	Trustee and Chief Executive Officer	1998	2006
Lee S. Wielansky	54	Trustee; Independent Lead Trustee	2000	2006
Alan S. Forman	40	Trustee	2002	2006
Douglas Crocker II	66	Trustee	2003	2006
Lorrence T. Kellar	68	Trustee	2003	2006
Suzanne M. Hopgood	56	Trustee	2004	2006
Wendy Luscombe	54	Trustee	2004	2006
Joel Braun	54	Senior Vice President and Chief Investment Officer	1998	□
Jonathan Grisham	48	Vice President and Chief Accounting Officer	1998	□
Joseph Hogan	56	Senior Vice President and Director of Construction	1999	□
Robert Masters	61	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary	1998	□
Joseph Napolitano	41	Senior Vice President and Director of Operations	2001	□
Michael Nelsen	59	Senior Vice President and Chief Financial Officer	2003	□
Joseph Povinelli	49	Senior Vice President and Director of Leasing	2003	□
Robert Scholem	43	Senior Vice President and Director of Property Management	2005	

Biographical information with respect to Messrs. Bernstein, Crocker, Forman, Kellar and Wielansky, and Mss. Hopgood and Luscombe is set forth under "PROPOSAL ONE" ELECTION OF TRUSTEES, above.

Joel Braun, 54, has been a Senior Vice President and Chief Investment Officer of the Company since August, 1998. Mr. Braun is responsible for all of the Company's merger and acquisition activities. Previously, Mr. Braun was Vice President of Acquisitions for RDC. In 1991, Mr. Braun was instrumental in the initiation and formation of Kranzco Realty Trust. Mr. Braun holds a Bachelor's in Business Administration from Boston University and a Master's Degree in Planning from The Johns Hopkins University.

Jonathan Grisham, 48, has been a Vice President and Chief Accounting Officer since February 2005. Previously, Mr. Grisham was Director of Financial Reporting for the Company since August, 1998. Prior to this, Mr. Grisham served in various positions at Mark Centers Trust since 1993, most recently as Controller. From 1987 through 1992, Mr. Grisham was an employee of the public accounting firm of Aronson & Company. Mr. Grisham is a Certified Public Accountant and received a Masters in Finance from Kings College in 1998 and a Bachelor of Science in Accounting from George Mason University in 1987.

Joseph Hogan, 56, has been a Senior Vice President and Director of Construction since 1999. From 1994 to 1999, Mr. Hogan served as Vice President with Kimco Realty Corporation, where he was responsible for retail and commercial construction projects for Kimco and its third party customers. Prior to joining Kimco, he was with Konover Construction Company located in West Hartford, Connecticut, where he was responsible for construction projects throughout the eastern half of the United States.

Robert Masters, Esq., 61, has been a Senior Vice President, the General Counsel, Chief Compliance Officer and Secretary of the Company since 1998 and was previously General Counsel of RDC since 1994. Prior to that, Mr. Masters was General Counsel for API Asset Management for over five years, Senior Vice President, Deputy General Counsel for European American Bank from 1985 to 1990, and Vice President and Counsel for National Westminster Bank from 1977 to 1985. Mr. Masters received his Bachelor of Arts from the City University of New York and his J.D. from New York University Law School. Mr. Masters is a member of the New York State Bar.

Joseph M. Napolitano, 41, has been a Senior Vice President and Director of Operations since January, 2001. Mr. Napolitano is responsible for overseeing the company's internal operations. Previously, he held the position of Senior Vice President, Director of Property Management. Mr. Napolitano has been with the Company since 1998, and was with RDC since 1995. He holds a Bachelor's in Business Administration from Adelphi University, Garden City, NY. Mr. Napolitano is a Certified Property Manager with the Institute of Real Estate Management, and a Real Property Administrator with the Building Owners and Managers Institute. Mr. Napolitano is also a member of the New York State Association of Realtors, International Council of Shopping Centers (ICSC), and the Commercial Investment Real Estate Institute.

Michael Nelsen, age 59, has been the Chief Financial Officer and a Senior Vice President since March, 2003. Prior to joining the Company, Mr. Nelsen was the President of G. Soros Realty, Inc. and Director of Real Estate for Soros Private Funds Management LLC from 1994 to 2003. His responsibilities included asset/portfolio management of real estate operations, financial reporting, financings, asset acquisitions and dispositions. From 1969 to 1980 he was an employee and from 1981 to 1994, he was a partner in the public accounting firm of Berdon LLP (formerly David Berdon & Co.) Mr. Nelsen graduated from Bernard M. Baruch School of Business in 1969 and has been a Certified Public Accountant since 1971.

Joseph Povinelli, 49, has been a Senior Vice President and Director of Leasing since March, 2003. Mr. Povinelli joined the Company in 1999 with 19 years of retail leasing experience. From 1987 through 1999, Mr. Povinelli served as regional real estate representative for Vornado Realty Trust, a New Jersey based real estate investment trust, and was responsible for the day to day leasing activity of approximately 3 million square feet of the strip shopping center portfolio. Prior to that he served as leasing representative for Net Properties Management, of Great Neck, New York, responsible for leasing of the strip shopping center and office building portfolio of the Mid-Atlantic and Southeast regions of the company. Mr. Povinelli received a Bachelor of Science degree in Finance and Economics from C.W. Post College of Long Island University. Mr. Povinelli has been a licensed New York State real estate broker since 1981 and is a member of ICSC and the Real Estate Board of New York State.

Robert D. Scholem, age 43, has been the Director of Property Management since 2003 and a Senior Vice President since August, 2005. Prior to joining the Company in 1998, Mr. Scholem was employed at Rosen Associates Management Corp. as a Senior Property Manager overseeing a national portfolio of community shopping centers, and Staller Associates, Inc. as an Operations Manager responsible for community shopping centers, office, and industrial buildings on Long Island, New York. Mr. Scholem holds a Bachelor's in Business Administration from Guilford College, Greensboro, NC; and is a Certified Property Manager by the Institute of Real Estate Management. Mr. Scholem is also a licensed Salesperson by the State of New York as well as a member of LI Board of Realtors & CIREI, and is a Certified Shopping Center Manager by the ICSC.

Trustee Independence

The Board of Trustees considered transactions and relationships between each Trustee or any member of his or her immediate family and the Company and its subsidiaries and affiliates. The Board of Trustees has determined that each member of the audit, compensation and nominating and corporate governance committees are independent under the criteria for independence set forth in the listing standards of the New York Stock Exchange. Upon the election of all nominees, the Company will meet the New York Stock Exchange requirement for a majority of independent Trustees serving on the Board of Trustees.

Committees of the Board of Trustees

The Board of Trustees has standing audit, compensation, nominating and corporate governance, and investment/capital markets committees. The functions of each committee are detailed in its respective committee charter, which are available on the Company's website at <http://www.acadiarealty.com> in the Investor Relations

Corporate Governance section. Please note that the information on the Company's website is not incorporated by reference in this Proxy Statement.

Audit Committee

The Audit Committee (the "Audit Committee") is empowered to engage the Company's independent registered public accounting firm and review the scope and results of the audit. The Audit Committee examines the accounting practices and methods of control and the manner of reporting financial results. These reviews and examinations include meetings with independent auditors, staff accountants and representatives of management. The results of the Committee's examinations and the choice of the Company's independent registered public accounting firm are reported to the full Board of Trustees. The Audit Committee includes no officers or employees of the Company or its majority-owned subsidiary, Acadia Realty Limited Partnership, a Delaware limited partnership of which the Company serves as general partner (the "Operating Partnership"). The Audit Committee held eight meetings during the last fiscal year. See "Report of the Audit Committee."

The Audit Committee Charter requires that the Audit Committee be comprised of at least three members, each of whom is "independent," as defined by the listing standards of the New York Stock Exchange and at least one of whom is an "audit committee financial expert," as defined by SEC rules and regulations. Mr. Kellar (Chair), and Ms. Luscombe have served as members of the Audit Committee since the 2004 Annual Meeting of Shareholders, and Ms. Hopgood was appointed as a member in August 2004. The Board of Trustees has determined that each of these members is independent within the meaning of the listing standards of the New York Stock Exchange. Mr. Kellar serves on the audit committees of three other public companies which the Board of Trustees has determined does not impair his ability to serve effectively on the Company's Audit Committee. Mr. Kellar also serves as the Audit Committee's financial expert. However, Ms. Hopgood and Ms. Luscombe are both Financial Experts.

Compensation Committee

The Compensation Committee (the "Compensation Committee") is responsible for administering the Company's 2003 Share Incentive Plan (the "2003 Plan") and recommending to the full Board, the compensation of the senior executive officers of the Company, including the CEO. In addition, the Compensation Committee coordinates and reviews the Company's succession plans related to the CEO and other executive officers and reports the status of such plans to the Board annually. The Compensation Committee held four meetings during the last fiscal year.

The Compensation Committee Charter requires that the Compensation Committee be comprised of at least two members, each of whom is independent as defined by the listing standards of the New York Stock Exchange.

Mr. Forman (Chair) has served as a member of the Compensation Committee since 2003 and Mr. Kellar has served as a member since 2004. The Board of Trustees has determined that each of these members is independent within the meaning of the listing standards of the New York Stock Exchange. See "Report of the Compensation Committee on Executive Compensation."

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee (the "Nominating and Corporate Governance Committee") is responsible for reviewing the qualifications and performance of the Board of Trustees and recommending to the Board nominees for Board members, Board committees and for the Chair of each committee. In evaluating a candidate for Trustee, the Committee considers factors that are in the best interests of the Company and its shareholders, including the knowledge, experience, integrity and judgment of possible candidates for nomination as trustees; their potential contribution to the diversity of backgrounds, experience and competencies which the Board desires to have represented and their ability to devote sufficient time and effort to their duties as trustees. The Nominating and Corporate Governance Committee is also responsible for recommending to the Board changes in the Company's corporate governance guidelines.

The Nominating and Corporate Governance Committee Charter requires the Nominating and Corporate Governance Committee to be comprised of at least two members, each of whom is independent as defined by the listing standards of the New York Stock Exchange. Members of the Nominating and Corporate Governance Committee during the last fiscal year were Ms. Hopgood (Chair) who has served since the 2004 Annual Meeting

of Shareholders, Ms. Luscombe who has served since the 2005 Annual Meeting of Shareholders and Mr. Crocker who has served since August 2005. The Board of Trustees has determined that each of these members is independent within the meaning of the listing standards of the New York Stock Exchange. The Nominating and Corporate Governance Committee held four meetings during the last fiscal year.

The Nominating and Corporate Governance Committee will consider all shareholder recommendations for candidates for the Board of Trustees. All shareholder recommendations should be sent to the Committee, at c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260 White Plains, NY 10605 and should include all information relating to such person that is required to be disclosed in a proxy statement for the election of Trustees or is otherwise required pursuant to Regulation 14A under the Exchange Act. Shareholders must also include the nominee's written consent to being named in the proxy statement as a nominee and to serving as a Trustee if elected. Furthermore, the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made must include their names and addresses as they appear on the Company's books, as well as the class and number of shares of the Company that they beneficially own. The Committee may identify other candidates, if necessary, through recommendations from directors, management, employees or outside consultants.

The Committee will review candidates in the same manner regardless of the source of the recommendation. Under the Company's by-laws, a shareholder must deliver notice of nominees for director to our corporate Secretary not less than 60 days and no more than 90 days prior to the first anniversary date of the preceding year's annual meeting, provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the preceding year's annual meeting, notice by the shareholder must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such annual meeting is first made.

Investment/Capital Markets Committee

The Investment/Capital Markets Committee (the "Investment Committee") has been established for the primary purpose of (i) screening all transactions which are within certain defined pre-approval limits to ensure such transactions are within such limits, (ii) acting as the pricing committee for all equity offerings and (iii) for other investments and capital market transactions, exercise such authority as is given to it from time to time by the Board of Trustees. The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate to perform its duties and responsibilities.

The Investment Committee charter requires that it be comprised of at least three members, each of whom is independent as defined by the listing standards of the New York Stock Exchange. The Company's chief executive officer is an ex officio member of the Investment Committee. Messrs. Crocker (Chair), Forman and Wielansky have served as the members of the Investment Committee since the 2004 Annual Meeting of Shareholders, The Board of Trustees has determined that each of these members is independent within the meaning of the listing standards of the New York Stock Exchange.

Executive Sessions

Non-management trustees meet regularly in executive sessions without management. "Non-management" trustees are all those who are not Company officers and include Trustees, if any, who are not "independent" by virtue of the existence of a material relationship with the Company. Executive sessions are led by the "Lead Trustee." An executive session is held in conjunction with each regularly scheduled Board meeting and other sessions may be called by the Lead Trustee in his own discretion or at the request of the Board. Mr. Wielansky has been designated as the Lead Trustee.

Communication with Trustees

You may communicate directly with the Board of Trustees by sending correspondence to the Company's Corporate Secretary at: Corporate Secretary, Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605. The sender should indicate in the address whether it is intended for the entire board, the independent trustees as a group, or to an individual trustee. Each communication intended for the board or independent trustees received by the Corporate Secretary will be promptly forwarded to the intended recipients

in accordance with the sender's instructions.

Trustees' Fees

Each trustee who is not also an officer and full-time employee of the Company or the Operating Partnership receives an annual trustee fee in the amount of \$30,000, comprised of \$15,000 cash and \$15,000 of unrestricted Common Shares, plus a fee of \$1,750 for each meeting of the Board of Trustees attended, \$1,500 for each committee meeting attended and \$750 for each Board or Committee meeting attended telephonically. Committee chairs also receive an annual fee of \$5,000 with the exception of the Audit Committee chair who receives an annual fee of \$7,500. The Lead Trustee receives an annual Lead Trustee fee of \$35,000, comprised of \$17,500 cash and \$17,500 of unrestricted Common Shares in addition to the other trustee fees. Trustees who are officers and full-time employees of the Company or the Operating Partnership receive no separate compensation for service as a trustee or committee member. Additionally, members of the Board of Trustees are reimbursed for travel and lodging expenses associated with attending meetings of the Board of Trustees and committees of the Board of Trustees. Non-management trustees are also entitled to grants of options to purchase 3,000 Common Shares following the annual meeting of shareholders held during each year during which they serve as trustees. Accordingly, on May 18, 2005, options to purchase 3,000 Common Shares were granted at an exercise price of \$15.96, which options vest immediately. During 2005, Mr. Wielansky also received fees for providing consulting services to the Company. See "Certain Relationships and Related Transactions."

Other Corporate Governance Initiatives

The Company has adopted a Code of Ethics for Senior Financial Officers as defined under the rules of the SEC, that applies to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and Assistant Controllers, and all professionals in finance and finance-related departments. The Company also has a Code of Business Conduct and Ethics that applies to the Company's trustees, officers and employees.

The Company regularly monitors developments in the area of corporate governance and continues to enhance the Company's corporate governance structure based upon a review of new developments and recommended best practices. The Company's corporate governance materials, including the Company's Corporate Governance Guidelines, Code of Business Conduct Ethics, Whistle Blower Policy, Code of Ethics for Senior Financial Officers and standing committee charters may be found on the Company's web site at <http://www.acadiarealty.com> in the "Investor Relations" Corporate Governance" section. Copies of these materials are also available to shareholders upon written request to the Company's Corporate Secretary, Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, New York 10605.

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The Company intends to satisfy its disclosure obligations under Item 10 of Form 8-K by posting information about amendments to, or waivers from a provision of the Code of Ethics that apply to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and Assistant Controllers on the Company's website.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company's authorized capital consists of 100,000,000 Common Shares. As of April 5, 2006, the Company had 31,758,034 Common Shares outstanding, which shares were held by 346 record holders. In addition, as of April 5, 2006, the Company had 653,360 units of limited partnership interest in the Operating Partnership ("OP Units") outstanding.

The Company is not aware of any person or any group within the meaning of Section 13(d)(3) of the Exchange Act that is the beneficial owner of more than five percent of any class of the Company's voting securities other than as set forth in the table below. The Company does not know of any arrangements at present, the operation of which may, at a subsequent date, result in a change in control of the Company.

The following table sets forth, as of April 5, 2006, certain information concerning the holdings of each person known to the Company to be beneficial owner of more than five percent (5%) of the Common Shares at April 5, 2006, and all Common Shares beneficially owned by each trustee, each nominee for trustee, each executive officer named in the Executive Compensation Summary table appearing elsewhere herein and by all trustees, and

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executive officers as a group. Each of the persons named below has sole voting power and sole investment power with respect to the shares set forth opposite his name, except as otherwise noted.

Beneficial Owners	Number of Common Shares Beneficially Owned	Percent of Class
Wellington Management Company, LLP (1)	4,064,500	12.54
Third Avenue Management LLC (2)	2,458,200	7.58
Yale University (3)	2,278,738	7.03
Heitman Real Estate Securities, LLC (4)	2,035,967	6.28
Morgan Stanley (5)	1,660,705	5.12
Kenneth F. Bernstein (6)	1,270,508(7)	3.98
Joel Braun (6)	183,733(8)	*
Robert Masters (6)	95,238(9)	*
Joseph Hogan (6)	55,348(10)	*
Joseph Povinelli (6)	65,826(11)	*
Douglas Crocker II (6)	7,932(12)	*
Alan Forman (6)	8,532(13)	*
Suzanne M. Hopgood (6)	9,364(14)	*
Lorrence T. Kellar (6)	8,932(15)	*
Wendy Luscombe (6)	8,832(16)	*
Lee S. Wielansky (6)	17,358(17)	*
All Executive Officers and Trustees as a Group (fourteen persons)	1,848,769(6,7,8,9,10,11,12, 13,14,15,16,17)	5.70

(1) The business address of Wellington Management, Inc. is 75 State Street, Boston, MA 02109.

(2) The business address of Third Avenue Management LLC is 622 Third Avenue, 32nd Floor, New York, NY 10017.

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(3) The business address of Yale University is c/o Yale University Investments Office, Real Estate, 55 Whitney Avenue, 5 th Floor, New Haven, CT 06510.

4) The business address of Heitman Real Estate Securities, LLC is 191 North Wacker Drive, Suite 2500, Chicago, IL 60606.

(5) The business address of Morgan Stanley is 1585 Broadway, New York, New York 10036.

(6) The business address of each such person is c/o Acadia Realty Trust, 1311 Mamaroneck Avenue, Suite 260, White Plains, NY 10605.

(7) Reflects the Common Shares beneficially owned by Mr. Bernstein in his individual capacity and the Common Shares deemed to be beneficially owned by Mr. Bernstein. The Common Shares directly owned by Mr. Bernstein in his individual capacity consist of (i) 331,255 OP Units which are immediately exchangeable into a like number of Common Shares, (ii) 425,364 restricted Common Shares issued to Mr. Bernstein in 2000 through 2005 of which 184,306 Common Shares are vested, (iii) 107,989 Common Shares and (iv) 405,900 options issued pursuant to the 1999 and 2003 Share Incentive Plans of which 375,255 options are vested.

- (8) Represents (i) 6,667 OP Units which are immediately exchangeable into a like number of Common Shares, (ii) 101,955 restricted Common Shares issued to Mr. Braun in 2001 through 2005 of which 27,056 Common Shares are vested, (iii) 61,871 Common Shares and (iv) 13,240 options issued pursuant to the 2003 Share Incentive Plan of which 6,797 options are vested.
- (9) Represents (i) 24,396 Common Shares, (ii) 64,453 restricted Common Shares issued to Mr. Masters in 2000 through 2005 of which 19,183 Common Shares are vested, and (iii) 6,389 options issued pursuant to the 2003 Share Incentive Plan of which 3,348 options are vested.
- (10) Represents a total of 49,684 restricted Common Shares issued to Mr. Hogan in 2000 through 2005 of which 14,382 Common Shares are vested, and 5,664 options issued pursuant to the 1999 and 2003 Share Incentive Plans of which 2,948 options are vested.
- (11) Represents (i) 26,138 Common Shares, (ii) 32,554 restricted Common Shares issued to Mr. Povinelli in 2000 through 2005 of which 1,110 Common Shares are vested, and (iii) 7,134 options issued pursuant to the 1999 and 2003 Share Incentive Plans of which 3,538 options are vested.
- (12) Represents 6,600 vested options issued pursuant to the 1999 and 2003 Share Incentive Plans and 1,332 Common Shares.
- (13) Represents 7,200 vested options issued pursuant to the 1999 and 2003 Share Incentive Plans and 1,332 Common Shares. The Common Shares have all been issued to Yale University.
- (14) Represents 6,000 vested options issued pursuant to the 2003 Share Incentive Plan and 3,364 Common Shares.
- (15) Represents 6,600 vested options issued pursuant to the 2003 Share Incentive Plan and 2,332 Common Shares.
- (16) Represents 6,000 vested options issued pursuant to the 2003 Share Incentive Plan and 2,832 Common Shares.
- (17) Represents 5,000 vested options issued pursuant to the 1999 and 2003 Share Incentive Plans and 12,358 Common Shares.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows for the fiscal years ended December 31, 2005, 2004 and 2003, the annual and long-term compensation awarded by the Company to the Company's Chief Executive Officer and to each of the other four most highly compensated executive officers whose total annual compensation for fiscal year 2005 exceeded \$100,000.

Summary Compensation Table

Fiscal	Salary	Bonus	Other	Restricted	Securities
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