Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

or

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

For the transition period from _____ to _____

Commission file number: 001-35908

ARMADA HOFFLER PROPERTIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland **(State of Organization)**	**46-1214914** **(IRS Employer Identification No.)**
222 Central Park Avenue, Suite 2100 **Virginia Beach, Virginia** **(Address of Principal Executive Offices)**	**23462** **(Zip Code)**

(757) 366-4000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of Registrant's common shares outstanding on November 8, 2013 was 19,163,623.

Table of Contents

ARMADA HOFFLER PROPERTIES, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Table of Contents

		Page
Part I. Financial Information		1
Item 1.	Financial Statements	1
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	33
Item 4.	Controls and Procedures	33
Part II. Other Information		34
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 3.	Defaults Upon Senior Securities	34
Item 4.	Mine Safety Disclosures	34
Item 5.	Other Information	34
Item 6.	Exhibits	35
Signatures		36

Table of Contents

PART I. Financial Information

Item 1. Financial Statements

ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR
Condensed Consolidated and Combined Balance Sheets

(In Thousands, except par value and share data)

	SEPTEMBER 30, 2013 (UNAUDITED)	PREDECESSOR DECEMBER 31, 2012
ASSETS		
Real estate investments:		
Income producing property	$ 404,742	$ 350,814
Held for development	7,081	3,926
Construction in progress	29,091	—
	440,914	354,740
Accumulated depreciation	(101,920)	(92,454)
Net real estate investments	338,994	262,286
Cash and cash equivalents	9,775	9,400
Restricted cash	2,966	3,725
Accounts receivable, net	17,846	17,423
Construction receivables, including retentions	12,619	10,490
Construction contract costs and estimated earnings in excess of billings	1,452	1,206
Due from affiliates	—	5,719
Other assets	23,199	21,564
Total Assets	$ 406,851	$ 331,813
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt	$ 247,356	$ 334,438
Participating note	—	643
Accounts payable and accrued liabilities	6,970	2,478
Construction payables, including retentions	26,162	17,369
Billings in excess of construction contract costs and estimated earnings	2,270	4,236
Due to affiliates	—	3,597
Due to related parties	406	—
Other liabilities	15,736	10,393
Total Liabilities	$ 298,900	$ 373,154
Stockholders' equity:		
Common stock, $0.01 par value, 500,000,000 shares authorized, 19,163,500 shares issued and outstanding as of September 30, 2013	192	—
Additional paid-in capital	1,010	—
Distributions in excess of earnings	(46,195)	—
Predecessor deficit	—	(41,341)
Total stockholders' and predecessor deficit	(44,993)	(41,341)
Noncontrolling interests	152,944	—
Total Equity	107,951	(41,341)
Total Liabilities and Equity	$ 406,851	$ 331,813

See Notes to Condensed Consolidated and Combined Financial Statements.

ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR
Condensed Consolidated and Combined Statements of Income

(In Thousands, except per share data)
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2013	2012	2013	2012
Revenues				
Rental revenues	$ 14,899	$ 13,318	$ 42,528	$ 40,314
General contracting and real estate services revenues	21,896	13,631	63,143	40,655
Total revenues	36,795	26,949	105,671	80,969
Expenses				
Rental expenses	3,840	3,637	10,468	9,445
Real estate taxes	1,317	1,200	3,777	3,592
General contracting and real estate services expenses	20,907	12,707	60,868	38,200
Depreciation and amortization	3,933	2,718	11,112	9,297
General and administrative expenses	1,638	904	5,212	2,692
Impairment charges	—	—	533	—
Total expenses	31,635	21,166	91,970	63,226
Operating income	5,160	5,783	13,701	17,743
Interest expense	(2,598)	(4,174)	(9,802)	(12,518)
Loss on extinguishment of debt	(1,127)	—	(2,252)	—
Gain on acquisitions	—	—	9,460	—
Other (expense) income	(109)	146	343	533
Income before taxes	1,326	1,755	11,450	5,758
Income tax (provision) benefit	(74)	—	137	—
Income from continuing operations	1,252	1,755	11,587	5,758
Discontinued operations:				
Loss from discontinued operations	—	—	—	(35)
Gain on sale of real estate	—	—	—	25
Loss from discontinued operations	—	—	—	(10)
Net income	1,252	$ 1,755	11,587	$ 5,748
Net income attributable to Predecessor	—		(2,020)	
Net income attributable to noncontrolling interests	(507)		(3,936)	
Net income attributable to stockholders	$ 745		$ 5,631	
Net income per share:				
Basic and diluted	$ 0.04		$ 0.30	
Weighted-average outstanding:				
Common shares	19,164		18,969	
Common units	13,059		13,059	
Basic and diluted	32,223		32,028	
Dividends declared per common share and unit	$ 0.16		$ 0.24	

See Notes to Condensed Consolidated and Combined Financial Statements.

ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR
Condensed Consolidated and Combined Statement of Equity

(In Thousands, except share data)
(Unaudited)

	Number of common shares	Common stock	Additional paid-in capital	Distributions in excess of earnings	Predecessor deficit	Total stockholders' and Predecessor deficit	Noncontrolling interests	Total equity
Predecessor								
Balance, January 1, 2013	—	$ —	$ —	$ —	$ (41,341)	$ (41,341)	$ —	$ (41,341)
Net income	—	—	—	—	2,020	2,020	—	2,020
Contributions	—	—	—	—	2,218	2,218	—	2,218
Distributions	—	—	—	—	(12,399)	(12,399)	—	(12,399)
Balance, May 12, 2013	—	—	—	—	(49,502)	(49,502)	—	(49,502)
Armada Hoffler Properties, Inc.								
Net proceeds from sale of common stock	19,003,750	190	191,993	—	—	192,183	—	192,183
Formation Transactions	—	—	(191,993)	(47,227)	49,502	(189,718)	152,142	(37,576)
Restricted stock award grants	159,955	2	(2)	—	—	—	—	—
Restricted stock award forfeitures	(205)	—	—	—	—	—	—	—
Vesting of restricted stock awards	—	—	1,012	—	—	1,012	—	1,012
Net income	—	—	—	5,631	—	5,631	3,936	9,567
Dividends declared	—	—	—	(4,599)	—	(4,599)	(3,134)	(7,733)
Balance, September 30, 2013	19,163,500	$ 192	$ 1,010	$ (46,195)	$ —	$ (44,993)	$ 152,944	$ 107,951

See Notes to Condensed Consolidated and Combined Financial Statements.

ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR
Condensed Consolidated and Combined Statements of Cash Flows

(In Thousands)
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	$ 11,587	$ 5,748
Loss from discontinued operations	—	10
Income from continuing operations	11,587	5,758
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	9,482	8,397
Amortization of deferred leasing costs and in-place lease intangibles	1,630	900
Accrued straight-line rental revenue	(763)	(1,340)
Amortization of lease incentives and above or below-market rents	537	549
Accrued straight-line ground rent expense	273	248
Bad debt expense	155	78
Non-cash stock compensation	1,012	—
Impairment charges	533	—
Non-cash interest expense	482	437
Non-cash loss on extinguishment of debt	542	—
Gain on acquisitions	(9,460)	—
Change in the fair value of derivatives	(41)	(338)
Income from real estate joint ventures	(210)	(139)
Changes in operating assets and liabilities:		
Property assets	6,438	(1,944)
Property liabilities	(563)	1,769
Construction assets	(2,375)	4,325
Construction liabilities	(1,071)	(10,207)
Net cash provided by continuing operations	18,188	8,493
Net cash used for discontinued operations	—	(34)
Net cash provided by operating activities	18,188	8,459
INVESTING ACTIVITIES		
Development of real estate investments	(24,928)	(776)
Tenant and building improvements	(2,452)	(2,041)
Acquisitions of real estate investments, net of cash acquired	(2,106)	—
Government development grants	300	400
Decrease in restricted cash	455	170
Contributions to real estate joint ventures	(81)	—
Return of capital from real estate joint ventures	511	280
Deferred leasing costs	(671)	(453)
Leasing incentives	(243)	—
Net cash used for continuing operations	(29,215)	(2,420)
Net cash provided by discontinued operations	—	497
Net cash used for investing activities	(29,215)	(1,923)
FINANCING ACTIVITIES		
Proceeds from sale of common stock	203,245	—
Offering costs	(7,604)	—
Formation Transactions	(47,221)	—
Debt issuances and credit facility borrowings	62,700	18,752
Debt and credit facility payments, including principal amortization	(184,606)	(22,467)
Debt issuance costs	(1,825)	(350)
Predecessor distributions, net	(10,709)	(7,500)
Dividends	(2,578)	—
Net cash provided by (used for) continuing operations	11,402	(11,565)
Net cash provided by discontinued operations	—	—
Net cash provided by (used for) financing activities	11,402	(11,565)
Net increase (decrease) in cash and cash equivalents	375	(5,029)
Cash and cash equivalents, beginning of period	9,400	13,449
Cash and cash equivalents, end of period	$ 9,775	$ 8,420
Supplemental cash flow information:		
Cash paid for interest	$ 10,170	$ 12,184
Decrease in distributions payable	$ (528)	$ (825)

See Notes to Condensed Consolidated and Combined Financial Statements.

ARMADA HOFFLER PROPERTIES, INC. AND PREDECESSOR
Notes to Condensed Consolidated and Combined Financial Statements

(Unaudited)

1. Business and Organization

Armada Hoffler Properties, Inc. (the "Company") is the sole general partner of Armada Hoffler, L.P. (the "Operating Partnership"). The operations of the Company are carried on primarily through the Operating Partnership and wholly owned subsidiaries of the Operating Partnership. Both the Company and the Operating Partnership were formed on October 12, 2012 and commenced operations upon completion of the underwritten initial public offering of shares of the Company's common stock (the "IPO") and certain related formation transactions (the "Formation Transactions") on May 13, 2013.

Armada Hoffler Properties, Inc. Predecessor (the "Predecessor") is not a single legal entity, but rather a combination of real estate and construction entities. The Predecessor is engaged in the development, construction, ownership and management of office, retail and multifamily properties in markets throughout the Mid-Atlantic United States. The entities comprising the Predecessor include: (i) the property development and asset management businesses of Armada Hoffler Holding Company, Inc. ("AH Holding"), (ii) the general commercial construction businesses of Armada Hoffler Construction Company and Armada Hoffler Construction Company of Virginia (collectively, "AH Construction"), (iii) controlling interests in entities that own 22 properties (seven office, 14 retail and one multifamily), (iv) controlling interests in entities undertaking the development of six properties (two office, two retail and two multifamily, collectively the "Development Pipeline") and (v) non-controlling interests in entities that own one retail property and one multifamily property (collectively, the "Non-controlled Entities"). AH Holding, AH Construction, the controlling interests in the 22 real estate properties and the controlling interests in the Development Pipeline are referred to as the Controlled Entities. The Controlled Entities were under common ownership by their individual partners, members and stockholders and under common control by Daniel A. Hoffler prior to the IPO and the Formation Transactions. Mr. Hoffler had the ability to control each of the Controlled Entities as the primary beneficiary, the majority vote holder or through his interest as a general partner or managing member. The financial position and results of operations of the Controlled Entities have been combined in the Predecessor financial statements for the periods prior to the completion of the IPO and the Formation Transactions. The Predecessor accounted for its investments in the Non-controlled Entities under the equity method of accounting.

Controlled Entities (Combined by the Predecessor)

Office Properties	Location
Armada Hoffler Tower	Virginia Beach, VA
Richmond Tower	Richmond, VA
One Columbus	Virginia Beach, VA
Two Columbus	Virginia Beach, VA
Oyster Point	Newport News, VA
Virginia Natural Gas	Virginia Beach, VA
Sentara Williamsburg	Williamsburg, VA

Retail Properties	Location
249 Central Park Retail	Virginia Beach, VA
South Retail	Virginia Beach, VA
Studio 56 Retail	Virginia Beach, VA
Commerce Street Retail	Virginia Beach, VA
Fountain Plaza Retail	Virginia Beach, VA
Dick's at Town Center	Virginia Beach, VA
Broad Creek Shopping Center	Norfolk, VA
North Point Center	Durham, NC
Hanbury Village	Chesapeake, VA
Gainsborough Square	Chesapeake, VA
Parkway Marketplace	Virginia Beach, VA
Harrisonburg Regal	Harrisonburg, VA
Courthouse 7-Eleven	Virginia Beach, VA
Tyre Neck Harris Teeter	Portsmouth, VA

Multifamily Property	Location
The Cosmopolitan	Virginia Beach, VA

Development Pipeline	Location
4525 Main Street[1]	Virginia Beach, VA
Encore Apartments[2]	Virginia Beach, VA
Whetstone Apartments[3]	Durham, NC
Sandbridge Commons	Virginia Beach, VA
Brooks Crossing	Newport News, VA
Greentree Shopping Center	Chesapeake, VA

(1) Previously referred to as Main Street Office.
(2) Previously referred to as Main Street Apartments.
(3) Previously referred to as Jackson Street Apartments.

General Contracting and Real Estate Services	
AH Holding	AH Construction

Non-controlled Entities (Accounted for under the equity method by the Predecessor)

Retail Property	Location
Bermuda Crossroads	Chester, VA

Multifamily Property	Location
Smith's Landing	Blacksburg, VA

Initial Public Offering and Formation Transactions

On May 13, 2013, the Company completed the IPO of 16,525,000 shares of common stock priced at $11.50 per share. On May 22, 2013, the underwriters of the IPO exercised their overallotment option in full to purchase an additional 2,478,750 shares at the IPO price of $11.50 per share. Proceeds from the IPO to the Company after deducting the underwriting discount were approximately $203.2 million. The common shares are listed on the New York Stock Exchange under the symbol "AHH" and began trading on May 8, 2013. The Company contributed the net proceeds from the IPO to the Operating Partnership in exchange for common units in the Operating Partnership. The Operating Partnership repaid approximately $150.0 million of outstanding indebtedness and paid approximately $47.2 million as partial consideration to prior investors in connection with the Formation Transactions.

Pursuant to the Formation Transactions, the Operating Partnership: (i) acquired 100% of the interests in the Controlled Entities and the Non-controlled Entities, (ii) succeeded to the ongoing construction and development businesses of AH Holding and AH Construction, (iii) assumed asset management of certain of the properties acquired from the Predecessor, (iv) succeeded to the third party asset management business of AH Holding, (v) succeeded to the projects in the Development Pipeline, (vi) received options to acquire nine parcels of developable land from the Predecessor and (vii) entered into a contribution agreement to acquire Liberty Apartments, a 197-unit multifamily property located in Newport News, VA, upon satisfaction of certain conditions and transferability restrictions including completion of the project's construction by AH Construction.

The Company accounted for the contribution or acquisition of interests in the Controlled Entities as transactions among entities under common control because Mr. Hoffler had the ability to control each of the Controlled Entities as previously described. As a result, the contribution or acquisition of interests in each of the Controlled Entities was accounted for at the Predecessor's historical cost. The acquisitions of interests in the Non-controlled Entities were accounted for as purchases at fair value under the acquisition method of accounting.

On May 13, 2013, the Operating Partnership, as borrower, and the Company, as parent guarantor, entered into a $100.0 million senior secured revolving credit facility. Subject to the satisfaction of certain conditions, the Operating Partnership has the option to increase the borrowing capacity under the revolving credit facility to $250.0 million. The revolving credit facility has a three-year term with an initial maturity date of May 13, 2016 and bears interest between LIBOR plus 1.60% and LIBOR plus 2.20%. The Operating Partnership has the option to extend the term to May 12, 2017. Upon completion of the IPO, the Operating Partnership borrowed $40.0 million under the revolving credit facility to fund a portion of the consideration payable in connection with the completion of the Formation Transactions, repay existing lines of credit and certain debt relating to the projects in the Development Pipeline and repay existing indebtedness relating to certain properties acquired in connection with the Formation Transactions.

Because of the timing of the IPO and the Formation Transactions, the Company's financial condition as of December 31, 2012 and results of operations for the three and nine months ended September 30, 2012 reflect the financial condition and results of operations of the Predecessor. The Company's results of operations for the nine months ended September 30, 2013 reflect the results of operations of the Predecessor together with the Company, while the financial condition as of September 30, 2013 and the results of operations for the three months ended September 30, 2013 reflect those solely of the Company. References in

these notes to condensed consolidated and combined financial statements to "Armada Hoffler" signify the Company for the period after the completion of the IPO and the Formation Transactions on May 13, 2013 and the Predecessor for all prior periods.

Federal Income Taxes

The Company intends to elect to be taxed and to operate in a manner that will allow it to qualify as a real estate investment trust for federal income tax purposes commencing with the taxable year ending December 31, 2013.

Emerging Growth Company Status

The Company qualifies as an emerging growth company ("EGC") pursuant to the Jumpstart Our Business Startups Act. An EGC may choose to take advantage of the extended private company transition period provided for complying with new or revised accounting standards that may be issued by the Financial Accounting Standards Board or the U.S. Securities and Exchange Commission (the "SEC"). The Company has elected to opt out of such extended transition period. This election is irrevocable.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Combination and Basis of Presentation

The accompanying consolidated and combined financial statements were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the financial position and results of operations of the Company, the Operating Partnership and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The financial position and results of operations of the entities comprising the Predecessor have been combined because they were under the common control of Mr. Hoffler and under the common management by Armada Hoffler. All significant intercompany transactions and balances have been eliminated in combination.

In the opinion of management, the consolidated and combined financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

The accompanying consolidated and combined financial statements were prepared in accordance with the requirements for interim financial information. Accordingly, these interim financial statements have not been audited and exclude certain disclosures required for annual financial statements. Also, the operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These interim financial statements should be read in conjunction with the audited combined financial statements of the Predecessor for the year ended December 31, 2012, included in the Company's final prospectus dated May 7, 2013 and filed with the SEC on May 9, 2013 (SEC File No. 333-187513).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities as of the date of the financial statements. Such estimates are based on management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from management's estimates.

Significant Accounting Policies

The accompanying consolidated and combined financial statements were prepared using the accounting principles described in the Company's final prospectus dated May 7, 2013 (SEC File No. 333-187513).

Income Taxes

For periods prior to the completion of the IPO and the Formation Transactions on May 13, 2013, no provision was made for U.S. federal, state or local income taxes because profits and losses of the Predecessor flowed through to its respective partners, members and shareholders who were individually responsible for reporting such amounts.

For periods subsequent to the completion of the IPO and the Formation Transactions, the taxable REIT subsidiaries ("TRS") of the Operating Partnership are subject to federal, state and local corporate income taxes. The Operating Partnership conducts its development and construction businesses through the TRS. The related income tax provision or benefit attributable to the profits or losses of the TRS is reflected in the consolidated and combined financial statements.

The Company uses the liability method of accounting for deferred income tax in accordance with GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is

recorded on the Company's deferred tax assets when it is more likely than not that such assets will not be realized. When evaluating the realizability of the Company's deferred tax assets, all evidence, both positive and negative is evaluated. Items considered in this analysis include the ability to carryback losses, the reversal of temporary differences, tax planning strategies and expectations of future earnings.

Under GAAP, the amount of tax benefit to be recognized is the amount of benefit that is more likely than not to be sustained upon examination. Management analyzes its tax filing positions in the U.S. federal, state and local jurisdictions where it is required to file income tax returns for all open tax years. If, based on this analysis, management determines that uncertainties in tax positions exist, a liability is established. The Company recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction to the provision for income taxes.

Noncontrolling Interests

Upon completion of the IPO and the Formation Transactions, the Operating Partnership issued 13,059,365 common units of limited partnership interest to the Predecessor's prior investors as partial consideration for the contribution of their interests in the Predecessor to the Operating Partnership, which the Company recognized at fair value. Noncontrolling interests in the Company represent common units of the Operating Partnership held by the Predecessor's prior investors. As of September 30, 2013, the Company held a 59.5% interest in the Operating Partnership. As the sole general partner and the majority interest holder, the Company consolidates the financial position and results of operations of the Operating Partnership.

Holders of common units may not transfer their units without the Company's prior consent as general partner of the Operating Partnership. Beginning on the first anniversary of the completion of the IPO and the Formation Transactions, common unitholders may tender their units for redemption by the Operating Partnership in exchange for cash equal to the market price of shares of the Company's common stock at the time of redemption or, at the Company's option and sole discretion, for shares of common stock on a one-for-one basis. Accordingly, the Company presents the common units of the Operating Partnership held by the Predecessor's prior investors as noncontrolling interests within equity in the consolidated balance sheet.

Dividends

On July 11, 2013, the Company paid cash dividends of approximately $1.5 million to common stockholders and approximately $1.1 million to common unitholders, representing $0.08 per share or unit.

On August 9, 2013, the Company's Board of Directors declared a cash dividend of $0.16 per share or unit payable on October 10, 2013 to common stockholders and common unitholders of record on October 1, 2013. On October 10, 2013, the Company paid cash dividends of approximately $3.1 million to common stockholders and approximately $2.1 million to common unitholders. The aggregate $5.2 million dividend payable as of September 30, 2013 is presented within other liabilities in the condensed consolidated balance sheet.

Net Income Per Share

The Company calculates net income per share based upon the weighted average shares outstanding during the period beginning May 13, 2013. Diluted net income per share is calculated after giving effect to all potential dilutive shares outstanding during the period. There were no potential dilutive shares outstanding during the three or nine months ended September 30, 2013. As a result, basic and diluted outstanding shares were the same.

3. Segments

Segment information is prepared on the same basis that Armada Hoffler's management reviews information for operational decision-making purposes. Management evaluates the performance of each of Armada Hoffler's properties individually and aggregates such properties into segments based on their economic characteristics and classes of tenants. Armada Hoffler operates in four business segments: (i) office real estate, (ii) retail real estate, (iii) multifamily residential real estate and (iv) general contracting and real estate services. Armada Hoffler's office properties provide office space for various types of businesses and professions. Armada Hoffler's retail properties are a diverse mix of: (i) retail shopping centers typically anchored by large, nationally recognized tenants, (ii) retail centers located in the Virginia Beach Town Center and (iii) single-tenant properties. Armada Hoffler's multifamily residential properties provide rental housing in Virginia Beach, VA and Blacksburg, VA. Armada Hoffler's general contracting and real estate services business develops and builds properties for its own account and also provides construction and development services to related parties and third-party clients.

Net operating income (segment revenues minus segment expenses) is the measure used by Armada Hoffler's chief operating decision-maker to assess segment performance. Net operating income is not a measure of operating income or cash flows from operating activities as measured by GAAP and is not indicative of cash available to fund cash needs. As a result, net operating income should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate net operating income in the same manner. Armada Hoffler considers net operating income to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of Armada Hoffler's real estate and construction businesses.

Net operating income of Armada Hoffler's reportable segments for the three and nine months ended September 30, 2013 and 2012 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Office real estate				
Rental revenues	$ 6,364	$ 6,194	$19,270	$19,153
Property expenses	2,081	2,271	5,967	5,921
Segment net operating income	4,283	3,923	13,303	13,232
Retail real estate				
Rental revenues	5,683	5,297	16,071	15,584
Property expenses	1,745	1,618	5,054	4,624
Segment net operating income	3,938	3,679	11,017	10,960
Multifamily residential real estate				
Rental revenues	2,852	1,827	7,187	5,577
Property expenses	1,331	946	3,224	2,453
Segment net operating income	1,521	881	3,963	3,124
General contracting and real estate services				
Segment revenues	21,896	13,631	63,143	40,655
Segment expenses	20,907	12,707	60,868	38,200
Segment net operating income	989	924	2,275	2,455
Other	—	(2)	—	(39)
Net operating income	$10,731	$ 9,405	$30,558	$29,732

General contracting and real estate services revenues for the three and nine months ended September 30, 2013 exclude revenue related to intercompany construction contracts of approximately $13.3 million and $18.9 million, respectively. General contracting and real estate services expenses for the three and nine months ended September 30, 2013 exclude expenses related to intercompany construction contracts of approximately $13.1 million and $18.7 million, respectively.

General contracting and real estate services revenues for the three and nine months ended September 30, 2012 exclude revenue related to intercompany construction contracts of approximately $0.2 million and $1.0 million, respectively. General contracting and real estate services expenses for the three and nine months ended September 30, 2012 exclude expenses related to intercompany construction contracts of approximately $0.2 million and $1.0 million, respectively.

The following table reconciles net operating income to net income for the three and nine months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Net operating income	$10,731	$ 9,405	$ 30,558	$ 29,732
Depreciation and amortization	(3,933)	(2,718)	(11,112)	(9,297)
General and administrative expenses	(1,638)	(904)	(5,212)	(2,692)
Impairment charges	—	—	(533)	—
Interest expense	(2,598)	(4,174)	(9,802)	(12,518)
Loss on extinguishment of debt	(1,127)	—	(2,252)	—
Gain on acquisitions	—	—	9,460	—
Other income (expense)	(109)	146	343	533
Results from discontinued operations	—	—	—	(10)
Income tax benefit (expense)	(74)	—	137	—
Net income	$ 1,252	$ 1,755	$ 11,587	$ 5,748

General and administrative expenses represent costs not directly associated with the operation and management of Armada Hoffler's real estate properties. General and administrative expenses include office personnel salaries and benefits, bank fees, accounting fees and other office expenses. For the three and nine months ended September 30, 2013, general and administrative expenses include non-cash stock compensation of $0.2 million and $1.0 million, respectively.

During the nine months ended September 30, 2013, the Company recognized $0.5 million of impairment charges representing unamortized leasing assets related to two vacated retail tenants.

Rental revenues of Armada Hoffler's reportable segments for the three and nine months ended September 30, 2013 and 2012 comprised the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Minimum rents				
Office	$ 6,059	$ 5,972	$18,264	$17,919
Retail	4,759	4,376	13,733	13,072
Multifamily	2,370	1,621	6,060	4,814
Percentage rents[1]				
Office	—	—	104	109
Retail	35	40	88	96
Multifamily	21	30	84	93
Other[2]				
Office	304	222	901	1,125
Retail	890	881	2,251	2,416
Multifamily	461	176	1,043	670
Rental revenues	$14,899	$13,318	$42,528	$40,314

(1) Percentage rents are based on tenants' sales.
(2) Other rental revenue includes cost reimbursements for real estate taxes, property insurance and common area maintenance as well as termination fees.

Property expenses of Armada Hoffler's reportable segments for the three and nine months ended September 30, 2013 and 2012 comprised the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Rental expenses				
Office	$ 1,536	$ 1,740	$ 4,341	$ 4,303
Retail	1,230	1,134	3,593	3,239
Multifamily	1,074	761	2,534	1,896
Other	—	2	—	7
Total	$ 3,840	$ 3,637	$10,468	$ 9,445
Real estate taxes				
Office	$ 545	$ 531	$ 1,626	$ 1,618
Retail	515	484	1,461	1,385
Multifamily	257	185	690	557
Other	—	—	—	32
Total	$ 1,317	$ 1,200	$ 3,777	$ 3,592
Property expenses	$ 5,157	$ 4,837	$14,245	$13,037

Rental expenses represent costs directly associated with the operation and management of Armada Hoffler's real estate properties. Rental expenses include asset management fees, property management fees, repairs and maintenance, insurance and utilities.

4. *Real Estate Investments*

Armada Hoffler's real estate investments comprised the following as of September 30, 2013 and December 31, 2012 (in thousands):

	September 30, 2013 (Unaudited)	December 31, 2012
Land	$ 37,812	$ 24,511
Land improvements	12,567	11,543
Buildings and improvements	364,439	316,596
Development costs	4,173	2,090
Construction in progress	21,923	—
	440,914	354,740
Accumulated depreciation	(101,920)	(92,454)
Net real estate investments	$ 338,994	$ 262,286

As of September 30, 2013 and December 31, 2012, land includes approximately $2.3 million and $1.8 million, respectively, for the 4525 Main Street and Encore Apartments development projects. Development and construction costs capitalized in connection with the 4525 Main Street and Encore Apartments projects are presented as construction in progress as of September 30, 2013.

As discussed in Notes 1 and 9, the Operating Partnership acquired a controlling interest in Bermuda Crossroads and Smith's Landing on May 13, 2013. As of September 30, 2013, land includes approximately $5.5 million related to Bermuda Crossroads.

As of September 30, 2013, land includes approximately $2.6 million related to the Whetstone Apartments project, which Armada Hoffler purchased on June 4, 2013. Development and construction costs capitalized in connection with the Whetstone Apartments project are presented as construction in progress as of September 30, 2013.

As of September 30, 2013, land includes approximately $5.2 million related to the Sandbridge Commons project, which Armada Hoffler purchased on August 27, 2013.

5. *Indebtedness*

On January 3, 2013, Armada Hoffler modified the Main Street Land loan to extend the maturity date from January 5, 2013 to April 3, 2013. On March 25, 2013, Armada Hoffler modified the Main Street Land loan to extend the term to July 3, 2013, on which date the Company repaid the outstanding balance of the loan in full.

On January 16, 2013, Armada Hoffler modified the Virginia Natural Gas loan to lower the interest rate floor from 4.00% to 3.00%.

On February 19, 2013, Armada Hoffler modified the Gainsborough Square loan to extend the maturity date from December 28, 2013 to January 28, 2014.

On April 15, 2013, Armada Hoffler borrowed an additional $2.7 million on Broad Creek Shopping Center Note 2.

In connection with the IPO and Formation Transactions, the Company used proceeds from the IPO and the revolving credit facility to repay the following debt (in thousands):

Armada Hoffler Tower	$ 38,813	
Richmond Tower	46,523	
Two Columbus	18,785	
Virginia Natural Gas	5,457	
Sentara Williamsburg	10,915	
North Point Center Note 3	9,242	
Gainsborough Square	9,732	
Parkway Marketplace	5,669	
Courthouse 7-Eleven Note 1	1,485	
Properties unencumbered		$ 146,621
Broad Creek Shopping Center Note 2	2,697	
Oyster Point Participation Note	643	
Other debt repayments		3,340
Total		$ 149,961

During the nine months ended September 30, 2013, the Company recognized a $1.1 million loss on extinguishment of debt representing $0.6 million of fees and $0.5 million of unamortized debt issuance costs associated with the debt repaid in connection with the IPO and Formation Transactions.

As discussed in Note 1, upon completion of the IPO, the Operating Partnership borrowed $40.0 million under the revolving credit facility to fund a portion of the consideration payable in connection with the completion of the Formation Transactions, repay existing lines of credit and certain debt relating to the projects in the Development Pipeline and repay existing indebtedness relating to certain properties acquired in connection with the Formation Transactions. The revolving credit facility has a three-year term with an initial maturity date of May 13, 2016 and bears interest between LIBOR plus 1.60% and LIBOR plus 2.20%. The Operating Partnership has the option to extend the maturity date to May 12, 2017. The Operating Partnership incurred approximately $1.8 million of costs in connection with the revolving credit facility.

On July 16, 2013, the Operating Partnership borrowed an additional $15.0 million under the revolving credit facility and defeased the One Columbus loan on July 17, 2013 for $14.9 million, including costs of $1.0 million. The Company recognized a $1.0 million loss on extinguishment of debt representing fees and unamortized debt issuance costs.

On July 30, 2013, the Company closed on a $63.0 million construction loan to fund the 4525 Main Street and Encore Apartments development projects. The construction loan bears interest at LIBOR plus 1.95% and matures on January 30, 2017. As of September 30, 2013, the Company did not have any amounts outstanding on the construction loan.

As of September 30, 2013, the Operating Partnership had $45.0 million outstanding and $55.0 million available on the revolving credit facility for which Armada Hoffler Tower, Richmond Tower, Virginia Natural Gas and Sentara Williamsburg collectively served as the borrowing base collateral. As of September 30, 2013, the interest rate on the revolving credit facility was 1.93%.

Subsequent to September 30, 2013:

On October 8, 2013, the Company borrowed an additional $15.0 million under the revolving credit facility, resulting in an outstanding balance of $60.0 million on the revolving credit facility.

On October 8, 2013, the Company closed on an $18.5 million construction loan to fund the Whetstone Apartments development project in Durham, NC. The construction loan bears interest at LIBOR plus 1.90% and matures on October 8, 2016, with a one-year extension option. As of the date of this filing, the Company did not have any amounts outstanding on this construction loan.

On October 10, 2013, the Operating Partnership increased the aggregate capacity under the revolving credit facility to $155.0 million by adding the following six properties to the borrowing base collateral: i) One Columbus, (ii) Two Columbus, (iii) a portion of North Point Center, (iv) Gainsborough Square, (v) Parkway Marketplace and (vi) Courthouse 7-Eleven.

On October 11, 2013, the Operating Partnership repaid the Bermuda Crossroads loan for approximately $10.8 million.

On October 25, 2013, the Operating Partnership amended Broad Creek Shopping Center Notes 1, 2 and 3 to lower the interest rates to LIBOR plus 2.25% and extend the maturity dates to October 31, 2018. The lender also agreed to make Broad Creek Shopping Center Notes 1, 2 and 3 each non-recourse loans.

On October 31, 2013, the Operating Partnership amended the Commerce Street Retail loan, Hanbury Village Note 2 and the Tyre Neck Harris Teeter loan to lower the interest rates to LIBOR plus 2.25% and extend the maturity dates to October 31, 2018. The Operating Partnership collectively prepaid approximately $1.4 million of principal on these three loans. The lender also agreed to make the Commerce Street Retail loan, Hanbury Village Note 2 and the Tyre Neck Harris Teeter loan each non-recourse loans.

As of the date of this filing, the Company had approximately $5.9 million outstanding on the 4525 Main Street and Encore Apartments construction loans.

6. Derivative Financial Instruments

Armada Hoffler may enter into interest rate derivatives to manage exposure to interest rate risks. Armada Hoffler does not use derivative financial instruments for trading or speculative purposes and has not designated any of its derivatives as hedges for accounting purposes. As a result, changes in the fair value of derivatives are recognized currently within other income in the consolidated and combined statements of operations.

On September 1, 2013, Armada Hoffler executed three interest rate cap agreements with a total notional amount of approximately $103.0 million, strike prices ranging from 1.50% to 3.50% and terms ending on March 1, 2016. The total premium paid to execute the three interest rate cap agreements was approximately $0.2 million.

Armada Hoffler's derivatives comprised the following as of September 30, 2013 and December 31, 2012 (in thousands):

	September 30, 2013 (Unaudited)			December 31, 2012		
	Notional Amount	Fair Value Gain	Fair Value Loss	Notional Amount	Fair Value Gain	Fair Value Loss
Pay fixed interest rate swaps	$ 710	$ —	$ (18)	$ 11,721	$ —	$ (239)
Interest rate caps	112,232	97	—	9,356	9	—
Total	$ 112,942	$ 97	$ (18)	$ 21,077	$ 9	$ (239)

The changes in the fair value of Armada Hoffler's derivatives during the three and nine months ended September 30, 2013 and 2012 comprised the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Pay fixed interest rate swaps	$ (2)	$ 122	$ 150	$ 343
Interest rate caps	(113)	(5)	(109)	(5)
Other (expense) income	$ (115)	$ 117	$ 41	$ 338

7. *Employee Benefit Plans*

The Predecessor had a deferred compensation plan for certain key employees pursuant to which Armada Hoffler purchased whole life insurance policies. Armada Hoffler discontinued its deferred compensation plan in May 2013 and as result, the Company has no further obligation under this plan. As of December 31, 2012, the Predecessor's deferred compensation liability and cash surrender value of life insurance policies were both approximately $1.2 million.

The Armada Hoffler Properties, Inc. 2013 Equity Incentive Plan provides for stock based awards in the form of options, restricted shares and other equity awards up to an aggregate of 700,000 shares over the ten-year term of the plan.

During the nine months ended September 30, 2013, the Company granted an aggregate of 168,642 shares of restricted stock to employees and non-employee directors at a grant date fair value of $11.50. Using the accelerated attribution method, the Company recognized stock based compensation related to vested shares during the three and nine months ended September 30, 2013 of approximately $0.2 million and $1.0 million, respectively. As of September 30, 2013, there were 112,223 non-vested restricted shares outstanding; the total compensation cost related to non-vested restricted shares was approximately $0.9 million, which we expect to recognize over the next 21 months.

8. *Fair Value of Financial Instruments*

Fair value measurements are based on assumptions that market participants would use in pricing an asset or a liability. The hierarchy for inputs used in measuring fair value is as follows:

Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 Inputs—unobservable inputs

Except as disclosed below, the carrying amounts of Armada Hoffler's financial instruments approximate their fair value. Financial assets and liabilities whose fair values are measured on a recurring basis using Level 2 inputs consist of interest rate swaps, interest rate caps, the cash surrender value of life insurance and deferred compensation. Armada Hoffler measures the fair values of these assets and liabilities based on prices provided by independent market participants that are based on observable inputs using market-based valuation techniques.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The fair value of Armada Hoffler's secured debt is sensitive to fluctuations in interest rates. Discounted cash flow analysis based on Level 2 inputs is generally used to estimate the fair value of Armada Hoffler's secured debt.

Considerable judgment is used to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments.

The carrying amounts and fair values of our financial instruments, all of which are based on Level 2 inputs, as of September 30, 2013 and December 31, 2012 were as follows (in thousands):

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(Unaudited)			
Secured debt	$ 247,356	$ 234,375	$ 334,438	$ 339,623
Participating note	—	—	643	643
Interest rate swap liabilities	18	18	239	239
Interest rate cap assets	97	97	9	9
Cash surrender value of life insurance	—	—	1,196	1,196
Deferred compensation liability	—	—	1,249	1,249

9. *Acquisition of Non-controlled Entities*

As discussed in Note 1, the Company completed the IPO of shares of its common stock on May 13, 2013. Substantially concurrent with the completion of the IPO and in connection with the Formation Transactions, the Operating Partnership acquired 100% of the interests in the Non-controlled Entities of the Predecessor (Bermuda Crossroads and Smith's Landing).

The acquisitions of the interests in Bermuda Crossroads and Smith's Landing on May 13, 2013 were accounted for as purchases at fair value under the acquisition method of accounting. Total consideration in the form of cash and common units paid for the 50% interest in Bermuda Crossroads was approximately $3.2 million. Total consideration in the form of cash and common units paid for the 60% interest in Smith's Landing was approximately $7.5 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

	Bermuda Crossroads	Smith's Landing
	(Unaudited)	
Income producing property	$ 16,091	$ 35,105
Intangible assets	2,860	2,420
Net working capital	237	14
Secured debt	(11,053)	(24,995)
Below-market leases	(1,750)	—
Net assets acquired	$ 6,385	$ 12,544

The identified intangible assets for Bermuda Crossroads are primarily in-place leases. The in-place and below-market leases will be amortized over the weighted average lives of the remaining lease terms. The identified intangible assets for Smith's Landing include $1.9 million assigned to a below-market ground lease and $0.5 million assigned to in-place leases, both of which will be amortized over the weighted average lives of the remaining lease terms. The fair value adjustment to the assumed secured debt of Bermuda Crossroads was a $0.2 million premium. The fair value adjustment to the assumed secured debt of Smith's Landing was not significant.

Prior to the acquisition date, the Predecessor accounted for its 50% interest in Bermuda Crossroads and 40% interest in Smith's Landing as equity-method investments. The acquisition-date fair values of the previous equity interests in Bermuda Crossroads and Smith's Landing were approximately $3.2 million and $5.0 million, respectively. The Company recognized a gain of $9.5 million as a result of remeasuring the Predecessor's prior equity interests in Bermuda Crossroads and Smith's Landing held before the acquisitions.

The following table summarizes the consolidated and combined results of operations of Armada Hoffler, Bermuda Crossroads and Smith's Landing on a pro forma basis, as if both Bermuda Crossroads and Smith's Landing had been acquired as of January 1, 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30	
	2013	2012	2013	2012
	(Unaudited)			
Rental revenues	$ 14,899	$ 14,767	$ 44,538	$ 44,564
Net (loss) income	1,448	1,863	2,667	15,233

The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if these acquisitions had taken place on January 1, 2012. The pro forma financial information includes adjustments to depreciation and amortization expense for acquired property and intangible assets and liabilities, adjustments to rental revenue and rental expenses for above and below-market leases and adjustments to interest expense for fair value adjustments to assumed indebtedness.

Pro forma net income for the nine months ended September 30, 2012 includes the nonrecurring $9.5 million gain as a result of remeasuring the Predecessor's prior equity interests in Bermuda Crossroads and Smith's Landing held before the acquisitions.

Rental revenues and net income of both Bermuda Crossroads and Smith's Landing for the period from the acquisition date to September 30, 2013 included in the consolidated and combined statements of income were approximately $2.3 million and $(0.3) million, respectively.

10. Discontinued Operations

Armada Hoffler presents properties held for sale as discontinued operations only when Armada Hoffler will not have any significant continuing involvement in the properties' operations after their disposition and when the properties' operations and cash flows: (i) can be clearly distinguished and (ii) will be eliminated from Armada Hoffler's ongoing operations upon disposition. Armada Hoffler presented the held for sale Studio 56 residential condominium units as discontinued operations during the three and nine months ended September 30, 2012. Net sale proceeds during the nine months ended September 30, 2012 were approximately $0.5 million. Armada Hoffler sold the last Studio 56 residential condominium unit during the three months ended June 30, 2012. Armada Hoffler currently has no plans to develop and sell residential condominium units.

11. Related Party Transactions

Armada Hoffler provides general contracting and real estate services to certain related party entities that are not included in these consolidated and combined financial statements.

Revenue from construction contracts with related parties of Armada Hoffler was approximately $10.6 million and $7.2 million for the three months ended September 30, 2013 and 2012, respectively. Fees from such contracts were approximately $0.3 million and $0.9 million for the three months ended September 30, 2013 and 2012, respectively.

Revenue from construction contracts with related parties of Armada Hoffler was approximately $35.7 million and $10.0 million for the nine months ended September 30, 2013 and 2012, respectively. Fees from such contracts were approximately $1.1 million and $1.0 million for the nine months ended September 30, 2013 and 2012, respectively.

Real estate services fees from affiliated entities of Armada Hoffler were not significant for either the three or nine months ended September 30, 2013 or 2012. In addition, affiliated entities also reimburse Armada Hoffler for monthly maintenance and facilities management services provided to the properties. Cost reimbursements from affiliated entities were not significant for either the three or nine months ended September 30, 2013 or 2012.

Amounts due to related parties as of September 30, 2013 include amounts payable to prior investors in connection with the Formation Transactions.

Distributions payable to the owners of the Predecessor of approximately $0.5 million are presented within due to affiliates in the combined balance sheet as of December 31, 2012.

Upon completion of the IPO and Formation Transactions, the Operating Partnership supplies letters of credit on behalf of the Company's construction business.

12. Commitments and Contingencies

Legal Proceedings

Armada Hoffler is from time to time involved in various disputes, lawsuits, warranty claims, environmental and other matters arising in the ordinary course of its business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

Armada Hoffler currently is a party to various legal proceedings, none of which management expects will have a material adverse effect on Armada Hoffler's financial position, results of operations or liquidity. Armada Hoffler accrues a liability for litigation if an unfavorable outcome is determined by management to be probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is determined by management to be probable and a range of loss can be reasonably estimated, Armada Hoffler accrues the best estimate within the range; however, if no amount within the range is a better estimate than any other, the minimum amount within the range is accrued. Legal fees related to litigation are expensed as incurred. Armada Hoffler does not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on its financial position or results of operations; however, litigation is subject to inherent uncertainties.

Under Armada Hoffler's leases, tenants are typically obligated to indemnify Armada Hoffler from and against all liabilities, costs and expenses imposed upon or asserted against it as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

13. Subsequent Events

As discussed in Note 5, the Company borrowed an additional $15.0 million on the revolving credit facility, closed on an $18.5 million construction loan to fund the Whetstone Apartments development project, increased the aggregate capacity under the revolving credit facility to $155.0 million, repaid the Bermuda Crossroads loan for approximately $10.8 million, amended six loans and borrowed approximately $5.9 million on the 4525 Main Street and Encore Apartments construction loans.

As discussed in Note 2, the Company paid an aggregate of approximately $5.2 million of cash dividends to common stockholders and common unitholders on October 10, 2013.

Effective October 24, 2013, Admiral Joseph W. Prueher, USN (Ret.) was unanimously elected to the Company's Board of Directors (the "Board"). Admiral Prueher will serve until the Company's annual meeting of stockholders to be held in 2014 and until his successor is duly elected and qualifies. In connection with his appointment, Admiral Prueher received a grant of 585 shares of restricted common stock under the Company's 2013 Equity Incentive Plan. One-third of the grant vested on October 24, 2013, the date of grant, while the remaining two-thirds vest in equal amounts on the first two anniversaries following the date of grant, subject to Admiral Prueher's continued service on the Board.

Review Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
Armada Hoffler Properties, Inc.

We have reviewed the condensed consolidated balance sheet of Armada Hoffler Properties, Inc. (successor to the entities described in Note 1) as of September 30, 2013, and the related condensed consolidated and combined statements of income for the three and nine-month periods ended September 30, 2013 and 2012, the condensed consolidated and combined statements of cash flows for the nine-month periods ended September 30, 2013 and 2012 and the condensed consolidated and combined statement of equity for the nine-month period ended September 30, 2013. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated and combined financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the combined balance sheet of the entities described in Note 1 as of December 31, 2012, and the related combined statements of income, equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those combined financial statements in our report dated March 25, 2013. In our opinion, the accompanying condensed combined balance sheet of the entities described in Note 1 as of December 31, 2012, is fairly stated, in all material respects, in relation to the combined balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Richmond, Virginia
November 12, 2013

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

References to "we," "our," "us," and "our company" refer to Armada Hoffler Properties, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Armada Hoffler, L.P., a Virginia limited partnership, of which we are the sole general partner and which we refer to in this Quarterly Report on Form 10-Q as our Operating Partnership.

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and estimated general contracting and real estate services are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments, either nationally or in the markets in which our properties are located;
- our failure to develop the properties in our identified development pipeline successfully, on the anticipated timeline or at the anticipated costs;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;
- bankruptcy or insolvency of a significant tenant or a substantial number of smaller tenants;
- difficulties in identifying or completing development or acquisition opportunities, including our proposed acquisition of Liberty Apartments;
- our failure to successfully operate developed and acquired properties;
- our failure to generate income in our general contracting and real estate sources segment in amounts that we anticipate;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing on favorable terms or at all;
- general economic conditions;
- financial market fluctuations;
- risks that affect the general retail environment or the market for office properties or multifamily units;
- the competitive environment in which we operate;
- decreased rental rates or increased vacancy rates;
- conflicts of interests with our officers and directors;
- lack or insufficient amounts of insurance;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- other factors affecting the real estate industry generally;
- our failure to qualify and maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify and maintain our qualification as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

Business Description

We are a full-service real estate company with extensive experience developing, building, owning and managing high-quality, institutional-grade office, retail and multifamily properties in attractive markets in the Mid-Atlantic United States. As of September 30, 2013, our portfolio comprised 7 office properties, 15 retail properties and 2 multifamily properties located in Virginia and North Carolina.

We are a Maryland corporation formed on October 12, 2012 to acquire the entities in which Daniel A. Hoffler and his affiliates, certain of our other officers, directors and their affiliates and other third parties owned a direct or indirect interest (the "Formation Transactions"). We did not have any operating activity until the consummation of our initial public offering of our shares of common stock (the "IPO") and the Formation Transactions on May 13, 2013. Upon completing our IPO and the Formation Transactions, we carry on our operations through Armada Hoffler, L.P. (our "Operating Partnership"), whose assets, liabilities and results of operations we consolidate.

Our "Predecessor" is not a single legal entity, but rather a combination of real estate and construction entities that were under common control by our Executive Chairman, Daniel A. Hoffler. These entities include: (i) controlling interests in entities that owned 7 office properties, 14 retail properties and 1 multifamily property, (ii) non-controlling interests in entities that owned one retail and one multifamily property (Bermuda Crossroads and Smith's Landing, respectively), (iii) the property development and asset management businesses of Armada Hoffler Holding Company, Inc. and (iv) the general commercial construction businesses of Armada Hoffler Construction Company and Armada Hoffler Construction Company of Virginia.

The results of operations of the properties and entities acquired by us in connection with our IPO and the Formation Transactions are included in our results beginning on May 13, 2013. Accordingly, the results of operations for the three and nine months ended September 30, 2012 reflect those of our Predecessor. The results of operations for the nine months ended September 30, 2013 reflect our results together with those of our Predecessor, while the results of operations for the three months ended September 30, 2013 are solely ours.

Third Quarter 2013 Highlights

- Reported net income of approximately $1.3 million, or $0.04 per share, for the three months ended September 30, 2013, compared to net income of approximately $1.8 million for the corresponding period in 2012. Net income for the three months ended September 30, 2013 includes debt extinguishment losses of approximately $1.1 million and non-cash stock compensation of approximately $0.2 million.
- Generated funds from operations ("FFO") of approximately $5.2 million, or $0.16 per share, for the three months ended September 30, 2013, compared to FFO of approximately $4.5 million for the corresponding period in 2012. See "Non-GAAP Financial Measures."
- Increased occupancy across all segments as of September 30, 2013 compared to September 30, 2012:
    - Office occupancy up to 93.4% compared to 91.5%
    - Retail occupancy up to 93.6% compared to 93.4%
    - Multifamily occupancy up to 92.7% compared to 92.4%
- Increased net operating income across all segments compared to the third quarter of 2012.
- Increased office and multifamily same store net operating income compared to the third quarter of 2012.
- Executed approximately $25.3 million of new construction contracts during the third quarter of 2013.
- Generated approximately $11.3 million of cash flows from operations during the third quarter of 2013.
- Invested approximately $14.2 million in new real estate development projects during the third quarter of 2013.

Development Pipeline

Our development pipeline consists of the following office, retail and multifamily properties ($ in thousands):

Property Information			Estimated(1)				Schedule(1)		
Name	Location	Type	Square Feet	Number of Apartment Units	Cost	Cost Incurred as of September 30, 2013	Start	Anchor Tenant or Initial Occupancy	Stabilized Operation
4525 Main Street(2)	Virginia Beach, VA	Office	234,000	N/A	$ 50,000	$ 17,851	Q1 2013	Q3 2014	Q3 2015
Encore Apartments(3)	Virginia Beach, VA	Multifamily	N/A	286	33,500	5,831	Q1 2013	Q3 2014	Q1 2016
Whetstone Apartments(4)	Durham, NC	Multifamily	N/A	203	27,500	4,893	Q3 2013	Q3 2014	Q1 2016
Sandbridge Commons	Virginia Beach, VA	Retail	70,000	N/A	12,500	5,666	Q4 2013	Q2 2015	Q2 2016
Brooks Crossing	Newport News, VA	Office	54,000	N/A	12,500	832	Q2 2014	Q3 2015	Q3 2015
Greentree Shopping Center	Chesapeake, VA	Retail	18,000	N/A	6,000	583	Q4 2013	Q1 2015	Q4 2015
Total			**376,000**	**489**	**$142,000**	**$ 35,656**			

(1) Subject to change as the development process proceeds. Construction commencement is subject to, among other factors, regulatory approvals, financing availability and suitable market conditions.
(2) Previously referred to as Main Street Office.
(3) Previously referred to as Main Street Apartments.
(4) Previously referred to as Jackson Street Apartments.

4525 Main Street is our most recent addition to the Town Center of Virginia Beach and is located across from The Cosmopolitan, One Columbus and Armada Hoffler Tower. This 15-story office tower is the future home of Clark Nexsen, an international architecture and engineering firm, which has agreed to lease approximately 83,000 square feet. Additionally, the City of Virginia Beach Development Authority has agreed to lease approximately 23,000 square feet of office space. 4525 Main Street will also feature approximately 21,000 square feet of ground floor retail space. On July 30, 2013, we closed on a $63.0 million loan of which approximately $37.8 million is available to fund construction.

Encore Apartments are also located in the Town Center of Virginia Beach and sit adjacent to 4525 Main Street. Encore Apartments will feature free covered parking, a private pool, concierge service, a business center and meeting space. On July 30, 2013, we closed on a $63.0 million loan of which approximately $25.2 million is available to fund construction.

Whetstone Apartments are conveniently located near Duke University and are scheduled to open in time for the fall 2014 semester. On June 4, 2013, we purchased the underlying land for approximately $2.6 million and commenced construction in the third quarter of 2013. On October 8, 2013, we closed on an $18.5 million loan to fund construction.

Sandbridge Commons continues our long-standing relationship with Harris Teeter, which has agreed to anchor the shopping center. In addition to a 53,000 square foot Harris Teeter grocery store, Sandbridge Commons will include approximately 22,000 square feet of small shop retail space. On August 27, 2013, we purchased the underlying land for approximately $5.2 million. The site includes two outparcels that we plan to either lease or sell.

Brooks Crossing is a new multi-phased commercial center designed to revitalize the east end of Newport News, Virginia. The first phase of this project will feature 60,000 square feet of office space and we are currently negotiating leases with both Huntington Ingalls Industries and the City of Newport News to be our principal tenants.

Greentree Shopping Center is a retail power center that will feature a Wawa convenience store and gas station adjacent to a new Walmart Neighborhood Market. We have long term ground lease with Wawa and are under contract to deliver to Walmart their pad-ready site.

Next Generation Development Pipeline

JHU Charles Village is the latest in our long history of public/private real estate development projects. In November 2012, we were selected by Johns Hopkins University, after an extensive competitive selection process, to join with the university in the redevelopment of a 1.12 acre property adjacent to the university's Homewood campus in Baltimore, Maryland. The project is expected to include market-rate student housing, a hotel, retail space, restaurants and parking. The goal of the completed project will be to complement the Homewood campus and nearby Charles Village neighborhood and provide a catalyst for future development in the area. The Johns Hopkins project is moving through the conceptual and programming phases with the intent to finalize a program, execute a ground lease with the university and begin design in the fourth quarter of 2013.

Acquisitions

Liberty Apartments features 197 apartment units and approximately 28,000 square feet of retail space and is located next to the Newport News Apprentice School of Shipbuilding, another one of our public/private partnership projects. We have entered into a contribution agreement to acquire Liberty Apartments, previously referred to as the Apprentice School Apartments, from affiliates of our Predecessor. Pursuant to the contribution agreement, we expect to acquire Liberty Apartments when certain conditions, including

the completion of the project's overall construction, have been met. We expect to acquire Liberty Apartments for approximately $31.9 million comprised of approximately 695,000 common units of our Operating Partnership, repayment of a $3.0 million mezzanine loan, which affiliates of our Predecessor borrowed to fund the equity portion of the project, and the assumption of approximately $20.9 million of debt that bears interest at 5.66% and matures in 2042. We expect to close on the acquisition of Liberty Apartments in the first quarter of 2014.

Segment Results of Operations

As of September 30, 2013, we operated our business in four segments: (i) office real estate, (ii) retail real estate, (iii) multifamily residential real estate and (iv) general contracting and real estate services, which are conducted through our taxable REIT subsidiaries ("TRSs"). Net operating income (segment revenues minus segment expenses) or "NOI" is the measure used by management to assess segment performance and allocate our resources among our segments. See Note 3 to Armada Hoffler Properties, Inc. and Predecessor's condensed consolidated and combined financial statements for additional discussion of our segments.

We define same store properties as those that we owned and operated and that were stabilized for the entirety of the periods presented. Same store properties exclude those that were in lease-up during the periods presented. We generally consider a property to be in lease-up until the earlier of: (i) the quarter after the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy.

Office Segment Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	($ in thousands)			
Rental revenues	$ 6,364	$ 6,194	$ 19,270	$ 19,153
NOI	$ 4,283	$ 3,923	$ 13,303	$ 13,232
Properties(1)	7	7	7	7
Square feet(1)	954,594	953,385	954,594	953,385
Occupancy(1)	93.4%	91.5%	93.4%	91.5%

(1) As of the end of the periods presented.

Rental revenues for the three and nine months ended September 30, 2013 increased approximately $0.2 million and $0.1 million, respectively, compared to the corresponding periods in 2012. NOI for the three and nine months ended September 30, 2013 increased approximately $0.4 million and $0.1 million, respectively, compared to the corresponding periods in 2012. The increases in rental revenues and NOI for the comparison periods resulted from increased occupancy at both One Columbus and Two Columbus in the Town Center of Virginia Beach.

Office Same Store Results

All of our office properties were included in our same store results for the three and nine months ended September 30, 2013 and 2012. Office same store rental revenues, property expenses and NOI for the three and nine months ended September 30, 2013 and 2012 were as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Change	2013	2012	Change
			($ in thousands)			
Rental revenues	$ 6,364	$ 6,194	$ 170	$19,270	$19,153	$ 117
Property expenses	2,081	2,271	(190)	5,967	5,921	46
Same Store NOI	**$ 4,283**	**$ 3,923**	**$ 360**	**$13,303**	**$13,232**	**$ 71**
Non-Same Store NOI	—	—	—	—	—	—
Segment NOI	$ 4,283	$ 3,923	$ 360	$13,303	$13,232	$ 71

Same store rental revenues for the three and nine months ended September 30, 2013 increased approximately $0.2 million and $0.1 million, respectively, compared to the corresponding periods in 2012. Same store NOI for the three and nine months ended September 30, 2013 increased approximately $0.4 million and $0.1 million, respectively, compared to the corresponding periods in 2012. The increases in same store rental revenues and NOI for the comparison periods resulted from increased occupancy at both One Columbus and Two Columbus in the Town Center of Virginia Beach.

Retail Segment Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013(1)	2012	2013(1)	2012
	($ in thousands)			
Rental revenues	$ 5,683	$ 5,297	$ 16,071	$ 15,584
NOI	$ 3,938	$ 3,679	$ 11,017	$ 10,960
Properties(2)	15	14	15	14
Square feet(2)	1,093,319	983,107	1,093,319	983,107
Occupancy(2)	93.6%	93.4%	93.6%	93.4%

(1) Includes Bermuda Crossroads, which was an unconsolidated property prior to May 13, 2013.
(2) As of the end of the periods presented.

Rental revenues for the three and nine months ended September 30, 2013 increased approximately $0.4 million and $0.5 million, respectively, compared to the corresponding periods in 2012. NOI for the three and nine months ended September 30, 2013 increased approximately $0.3 million and $0.1 million, respectively, compared to the corresponding periods in 2012. The increases in rental revenues and NOI for the comparison periods resulted primarily from our consolidation of Bermuda Crossroads beginning on May 13, 2013 upon completion of our IPO and the Formation Transactions. The increase in rental revenues and NOI for the nine month comparison period also resulted from the completion and stabilization of Tyre Neck Harris Teeter in the second quarter of 2012.

Retail Same Store Results

Retail same store results for the three and nine months ended September 30, 2013 exclude those of Bermuda Crossroads, which was an unconsolidated property prior to May 13, 2013. Retail same store results for the nine months ended September 30, 2013 and 2012 exclude those of Tyre Neck Harris Teeter, which stabilized during the second quarter of 2012. Retail same store rental revenues, property expenses and NOI for the three and nine months ended September 30, 2013 and 2012 were as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2013(1)	2012	Change	2013(1)(2)	2012(2)	Change
	($ in thousands)					
Rental revenues	$ 5,162	$ 5,297	$ (135)	$14,867	$15,345	$ (478)
Property expenses	1,643	1,618	25	4,695	4,520	175
Same Store NOI	**$ 3,519**	**$ 3,679**	**$ (160)**	**$10,172**	**$10,825**	**$ (653)**
Non-Same Store NOI	419	—	419	845	135	710
Segment NOI	$ 3,938	$ 3,679	$ 259	$11,017	$10,960	$ 57

(1) Excludes Bermuda Crossroads, which was an unconsolidated property prior to May 13, 2013.
(2) Excludes Tyre Neck Harris Teeter, which was in lease-up during the period.

Same store rental revenues for the three and nine months ended September 30, 2013 decreased approximately $0.1 million and $0.5 million, respectively, compared to the corresponding periods in 2012. Same store NOI for the three and nine months ended September 30, 2013 decreased approximately $0.2 million and $0.7 million, respectively, compared to the corresponding periods in 2012. The decreases in same store rental revenues and NOI for the comparison periods resulted from decreased occupancy at three of our properties: (i) Dick's at Town Center due to the closing of a restaurant on the ground floor of the building, (ii) Hanbury Village and (iii) South Retail in the Town Center of Virginia Beach.

Multifamily Segment Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013(1)	2012	2013(1)	2012
	($ in thousands)			
Rental revenues	$2,852	$ 1,827	$ 7,187	$ 5,577
NOI	$1,521	$ 881	$ 3,963	$ 3,124
Properties(2)	2	1	2	1
Apartment units(2)	626	342	626	342
Occupancy(2)	92.7%	92.4%	92.7%	92.4%

(1) Includes Smith's Landing, which was an unconsolidated property prior to May 13, 2013.
(2) As of the end of the periods presented.

Rental revenues for the three and nine months ended September 30, 2013 increased approximately $1.0 million and $1.6 million, respectively, compared to the corresponding periods in 2012. NOI for the three and nine months ended September 30, 2013 increased approximately $0.6 million and $0.8 million, respectively, compared to the corresponding periods in 2012. The increases in rental revenues and NOI for the comparison periods resulted from our consolidation of Smith's Landing beginning on May 13, 2013 upon completion of our IPO and the Formation Transactions.

Multifamily Same Store Results

Multifamily same store results for the three and nine months ended September 30, 2013 exclude those of Smith's Landing, which was an unconsolidated property prior to May 13, 2013. Multifamily same store rental revenues, property expenses and NOI for the three and nine months ended September 30, 2013 and 2012 were as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2013(1)	2012	Change	2013(1)	2012	Change
	($ in thousands)					
Rental revenues	$ 1,874	$ 1,827	$ 47	$5,684	$5,577	$ 107
Property expenses	868	946	(78)	2,558	2,453	105
Same Store NOI	**$ 1,006**	**$ 881**	**$ 125**	**$3,126**	**$3,124**	**$ 2**
Non-Same Store NOI	515	—	515	837	—	837
Segment NOI	$ 1,521	$ 881	$ 640	$3,963	$3,124	$ 839

(1) Excludes Smith's Landing, which was an unconsolidated property prior to May 13, 2013.

Same store rental revenues for the three months ended September 30, 2013 increased slightly compared to the corresponding period in 2012. Same store rental revenues for the nine months ended September 30, 2013 increased approximately $0.1 million compared to the corresponding period in 2012. Same store NOI for the three months ended September 30, 2013 increased approximately $0.1 million compared to the corresponding periods in 2012. Same store NOI for the nine months ended September 30, 2013 increased slightly compared to the corresponding period in 2012. The increases in same store rental revenues and NOI for the comparison periods resulted from increased ground floor retail occupancy at The Cosmopolitan, which offset residential occupancy declines because of the ongoing construction of 4525 Main Street and Encore Apartments.

General Contracting and Real Estate Services Segment Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	($ in thousands)			
Segment revenues	$21,896	$13,631	$63,143	$40,655
NOI	989	924	2,275	2,455
Operating margin	4.5%	6.8%	3.6%	6.0%
Backlog(1)	$59,450	$65,940	$59,450	$65,940

(1) As of the end of the periods presented.

Segment revenues for the three and nine months ended September 30, 2013 increased approximately $8.3 million and $22.5 million, respectively, compared to the corresponding periods in 2012. The increase in segment revenues for the comparison periods resulted primarily from our progress on the Newport News Apprentice School of Shipbuilding and Liberty Apartments, both of which we expect to complete by the end of the year. NOI increased slightly for the three months ended September 30, 2013 and decreased approximately $0.2 million for the nine months ended September 30, 2013 compared to the corresponding periods in 2012 as we experienced tighter operating margins during 2013.

Backlog as of September 30, 2013 was approximately $59.5 million compared to $65.9 million as of September 30, 2012. During the nine months ended September 30, 2013, we executed approximately $57.9 million of new contract or change order work. The changes in backlog for the nine months ended September 30, 2013 were as follows:

	Nine months ended September 30, 2013
	($ in thousands)
Beginning backlog	$ 64,577
New contracts/change orders	57,929
Work performed	(63,056)
Ending backlog	**$ 59,450**

During the three and nine months ended September 30, 2013, we executed a $24.4 million contract to serve as the general contractor for the Hyatt Place Baltimore/Inner Harbor Hotel. We broke ground on the project on August 19, 2013 and expect to complete construction in the fall of 2014. As of September 30, 2013, we had approximately $24.1 million of backlog on the Hyatt Place Baltimore/Inner Harbor Hotel project. Also during the nine months ended September 30, 2013, we executed a $4.2 million contract to build a new Harris Teeter grocery store in the Wards Corner area of Norfolk, Virginia. We began construction during the second quarter of 2013 and expect to complete construction in the first quarter of 2014. We had approximately $1.1 million of backlog on the Wards Corner Harris Teeter project as of September 30, 2013.

As of September 30, 2013, we had approximately $17.5 million of backlog on the City of Suffolk Municipal Center project, which we expect to complete in the second quarter of 2015. We also had approximately $8.7 million of backlog on the Main Street parking garage underlying both 4525 Main Street and Encore Apartments in the Town Center of Virginia Beach. We expect to complete construction of the Main Street parking garage in the third quarter of 2014.

We have nearly completed construction of the Biomedical Research Laboratory at Hampton University and expect to complete the project by the end of this year.

Consolidated and Combined Results of Operations

Because of the timing of our IPO, the results of operations for the three and nine months ended September 30, 2012 reflect those of our Predecessor. The results of operations for the nine months ended September 30, 2013 reflect our results together with those of our Predecessor, while the results of operations for the three months ended September 30, 2013 are solely ours.

The following table summarizes the results of operations for the three and nine months ended September 30, 2013 and 2012:

	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Change	2013	2012	Change
	($ in thousands)					
Revenues						
Rental revenues	$ 14,899	$ 13,318	$ 1,581	$ 42,528	$ 40,314	$ 2,214
General contracting and real estate services revenues	21,896	13,631	8,265	63,143	40,655	22,488
Total revenues	**36,795**	**26,949**	**9,846**	**105,671**	**80,969**	**24,702**
Expenses						
Rental expenses	3,840	3,637	203	10,468	9,445	1,023
Real estate taxes	1,317	1,200	117	3,777	3,592	185
General contracting and real estate services expenses	20,907	12,707	8,200	60,868	38,200	22,668
Depreciation and amortization	3,933	2,718	1,215	11,112	9,297	1,815
General and administrative expenses	1,638	904	734	5,212	2,692	2,520
Impairment charges	—	—	—	533	—	533
Total expenses	**31,635**	**21,166**	**10,469**	**91,970**	**63,226**	**28,744**
Operating income	**5,160**	**5,783**	**(623)**	**13,701**	**17,743**	**(4,042)**
Interest expense	(2,598)	(4,174)	1,576	(9,802)	(12,518)	2,716
Loss on extinguish of debt	(1,127)	—	(1,127)	(2,252)	—	(2,252)
Gain on acquisitions	—	—	—	9,460	—	9,460
Other (expense) income	(109)	146	(255)	343	533	(190)
Income before taxes	1,326	1,755	(429)	11,450	5,758	5,692
Income tax (provision) benefit	(74)	—	(74)	137	—	137
Income from continuing operations	**1,252**	**1,755**	**(503)**	**11,587**	**5,758**	**5,829**
Loss from discontinued operations	—	—	—	—	(10)	10
Net income	**$ 1,252**	**$ 1,755**	**$ (503)**	**$ 11,587**	**$ 5,748**	**$ 5,839**

Rental Revenues. Rental revenues for the three and nine months ended September 30, 2013 increased approximately $1.6 million and $2.2 million, respectively, compared to the corresponding periods in 2012, as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Change	2013	2012	Change
	($ in thousands)					
Office	$ 6,364	$ 6,194	$ 170	$ 19,270	$ 19,153	$ 117
Retail	5,683	5,297	386	16,071	15,584	487
Multifamily	2,852	1,827	1,025	7,187	5,577	1,610
	$ 14,899	**$ 13,318**	**$ 1,581**	**$ 42,528**	**$ 40,314**	**$ 2,214**

As previously discussed, the increase in office rental revenues for the comparison periods resulted from increased occupancy at both One Columbus and Two Columbus. The increases in retail rental revenues for the comparison periods resulted from our consolidation of Bermuda Crossroads beginning on May 13, 2013. The increase in multifamily rental revenues for the comparison periods resulted from our consolidation of Smith's Landing beginning on May 13, 2013.

General Contracting and Real Estate Services Revenues. General contracting and real estate services revenues for the three and nine months ended September 30, 2013 increased approximately $8.3 million and $22.5 million, respectively, compared to the corresponding periods in 2012. As previously discussed, the increase in general contracting and real estate services revenues for the comparison periods resulted primarily from our progress on the Newport News Apprentice School of Shipbuilding and Liberty Apartments, both of which we expect to complete by the end of the year.

Rental Expenses. Rental expenses for the three and nine months ended September 30, 2013 increased approximately $0.2 million and $1.0 million, respectively, compared to the corresponding periods in 2012, as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Change	2013	2012	Change
	($ in thousands)					
Office	$ 1,536	$ 1,740	$ (204)	$ 4,341	$4,303	$ 38
Retail	1,230	1,134	96	3,593	3,239	354
Multifamily	1,074	761	313	2,534	1,896	638
Other	—	2	(2)	—	7	(7)
	$ 3,840	**$ 3,637**	**$ 203**	**$10,468**	**$9,445**	**$1,023**

The decrease in office rental expenses for the three months ended September 30, 2013 resulted from timing of repairs and maintenance. Office rental expenses for the nine month comparison periods were relatively unchanged. The increase in retail rental expenses for the comparison periods resulted from our consolidation of Bermuda Crossroads beginning on May 13, 2013 and the completion and stabilization of Tyre Neck Harris Teeter during the second quarter of 2012. The increase in multifamily rental expenses for the comparison periods resulted from our consolidation of Smith's Landing beginning on May 13, 2013.

Real Estate Taxes. Real estate taxes for the three and nine months ended September 30, 2013 increased approximately $0.1 million and $0.2 million, respectively, compared to the corresponding periods in 2012, as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Change	2013	2012	Change
	($ in thousands)					
Office	$ 545	$ 531	$ 14	$ 1,626	$ 1,618	$ 8
Retail	515	484	31	1,461	1,385	76
Multifamily	257	185	72	690	557	133
Other	—	—	—	—	32	(32)
	$ 1,317	**$ 1,200**	**$ 117**	**$ 3,777**	**$ 3,592**	**$ 185**

Office real estate taxes were relatively unchanged during the comparison periods. The slight increase in retail real estate taxes for the comparison periods resulted from our consolidation of Bermuda Crossroads beginning May 13, 2013 and the completion and stabilization of Tyre Neck Harris Teeter during the second quarter of 2012. The increase in multifamily real estate taxes for the comparison periods resulted from our consolidation of Smith's Landing beginning May 13, 2013.

General Contracting and Real Estate Services Expenses. General contracting and real estate services expenses for the three and nine months ended September 30, 2013 increased approximately $8.2 million and $22.7 million, respectively, compared to the corresponding periods in 2012. The increase in general contracting and real estate services expenses for the comparison periods resulted primarily from our progress on the Newport News Apprentice School of Shipbuilding and Liberty Apartments, both of which we expect to complete by the end of the year.

Depreciation and Amortization. Depreciation and amortization for the three and nine months ended September 30, 2013 increased approximately $1.2 million and $1.8 million, respectively, compared to the corresponding periods in 2012. The increase was attributable to depreciation and amortization associated with our consolidation of Bermuda Crossroads and Smith's Landing beginning on May 13, 2013.

General and Administrative Expenses. General and administrative expenses for the three and nine months ended September 30, 2013 increased approximately $0.7 million and $2.5 million, respectively, compared to the corresponding periods in 2012. The increase resulted from non-cash stock compensation of approximately $0.2 million and $1.0 million during the three and nine months ended September 30, 2013, respectively, and increased regulatory and compliance costs incurred to operate as a public company beginning on May 13, 2013.

Impairment Charges. We recognized impairment charges of approximately $0.5 million during the nine months ended September 30, 2013 resulting from two retail tenants that vacated prior to their lease expiration. The impairment charge consisted of unamortized deferred leasing costs and lease incentives related to these two tenants.

Interest Expense. Interest expense for the three and nine months ended September 30, 2013 decreased approximately $1.6 million and $2.7 million, respectively, compared to the corresponding periods in 2012. The decreases resulted primarily from an overall reduction in our debt using proceeds from our IPO, as well as lower interest rates during 2013. Our consolidated indebtedness

as of September 30, 2013 was approximately $247.4 million compared to approximately $335.1 million as of December 31, 2012. Our consolidated indebtedness as of September 30, 2012 and December 31, 2011 was approximately $335.8 million and $339.6 million, respectively.

Loss on Extinguishment of Debt. During the second quarter of 2013, we repaid approximately $150.0 million of debt and recognized a loss of approximately $1.1 million consisting of $0.5 million of unamortized deferred financing costs and $0.6 million of defeasance expenses. On July 17, 2013, we defeased the loan on One Columbus and recognized a loss of approximately $1.1 million representing defeasance expenses.

Gain on Acquisitions. We accounted for our acquisition of controlling interests in Bermuda Crossroads and Smith's Landing were accounted for as purchases at fair value under the acquisition method of accounting in accordance with GAAP. As a result, we recognized a gain upon acquisition of approximately $9.5 million representing the difference between the fair value and carrying value of our Predecessor's prior non-controlling equity interests in Bermuda Crossroads and Smith's Landing.

Other Income. Other income for the three and nine months ended September 30, 2013 decreased approximately $0.3 million and $0.2 million, respectively, compared to the corresponding periods in 2012. The decrease in other income for the comparison periods resulted from our consolidation of Bermuda Crossroads and Smith's Landing beginning on May 13, 2013. We previously accounted for our non-controlling interests in both Bermuda Crossroads and Smith's Landing under the equity method and presented our earnings from each within other income.

Income Taxes. Prior to the completion of our IPO on May 13, 2013, we made no provision for U.S. federal, state or local income taxes because the profits and losses of our Predecessor flowed through to its respective partners, members and shareholders who were individually responsible for reporting such amounts. Subsequent to the completion of our IPO, our TRSs through which we conduct our development and construction business are subject to federal, state and local corporate income taxes. The income tax provision or benefit recognized during 2013 is attributable to the profits or losses of our TRSs.

Liquidity and Capital Resources

Overview

We believe our primary short-term liquidity requirements consist of general contractor expenses, operating expenses and other expenditures associated with our properties, dividend payments to our stockholders required to maintain our REIT qualification, debt service, capital expenditures, new real estate development projects and strategic acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash and, if necessary, borrowings available under our credit facility.

Our long-term liquidity needs consist primarily of funds necessary for the repayment of debt at or prior to maturity, general contracting expenses, property development and acquisitions, tenant improvements and capital improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property development and acquisitions and capital improvements using our credit facility pending long-term financing.

As of September 30, 2013, we had unrestricted cash and cash equivalents of approximately $9.8 million and restricted cash in escrow of approximately $3.0 million available for both current liquidity needs as well as development activities. As of September 30, 2013, we had $55.0 million available under our credit facility to meet our short-term liquidity requirements.

On October 10, 2013 we increased the borrowing capacity under the credit facility to $155.0 million by adding six properties to the borrowing base collateral. As of the date of this filing, the following ten properties collectively serve as the borrowing base collateral for the credit facility: (i) Armada Hoffler Tower, (ii) Richmond Tower, (iii) One Columbus, (iv) Two Columbus, (v) Virginia Natural Gas, (vi) Sentara Williamsburg, (vii) a portion of North Point Center, (viii) Gainsborough Square, (ix) Parkway Marketplace and (x) Courthouse 7-Eleven.

As of the date of this filing, we had $60.0 million outstanding and $95.0 million available under the credit facility.

Credit Facility

On May 13, 2013, we closed on a $100.0 million senior secured credit facility that includes an accordion feature that allows us to increase the borrowing capacity under the facility up to $250.0 million. On October 10, 2013, we increased the borrowing capacity under the credit facility to $155.0 million pursuant to the accordion feature by adding six properties to the borrowing base collateral. The credit facility matures on May 13, 2016 and includes an optional one-year extension (assuming our compliance with applicable covenants and conditions) for a fee equal to 0.25% of the then applicable maximum amount of the credit facility.

As of September 30, 2013 and as of the date of this filing, the interest rate on the credit facility was LIBOR plus 1.75%. In addition to interest owed under the credit facility, we are obligated to pay an annual fee based on the average unused portion of the credit facility. This fee is payable quarterly in arrears and is 0.25% of the amount of the unused portion of the credit facility if amounts borrowed are greater than 50% of the credit facility and 0.30% of the unused portion of the credit facility if amounts borrowed are less than 50% of the credit facility. As of September 30, 2013, we had $45.0 million outstanding under the credit facility.

The credit facility requires us to comply with various financial covenants, including:

- Maximum leverage ratio of 65% as of the last day of each fiscal quarter through December 31, 2014 and 60% as of the last day of each fiscal quarter thereafter;
- Minimum fixed charge coverage ratio of 1.75;
- Minimum tangible net worth equal to at least the sum of 80% of tangible net worth on the closing date of the credit facility plus 75% of the net proceeds of any additional equity issuances;
- Maximum amount of variable rate indebtedness not exceeding 30% of our total asset value; and
- Maximum amount of secured recourse indebtedness of 35% of our total asset value.

The credit facility permits investments in the following types of assets: (i) unimproved land holdings in an aggregate amount not exceeding 5% of our total asset value, (ii) construction in progress in an aggregate amount not exceeding 25% of our total asset value and (iii) unconsolidated affiliates in aggregate amount not exceeding 5% of our total asset value. Investments in these types of assets cannot exceed 30% of our total asset value. In addition to these financial covenants, the credit agreement requires us to comply with various customary affirmative and negative covenants that restrict our ability to, among other things, incur debt and liens, make investments, dispose of properties and make distributions.

We are currently in compliance with all covenants under the credit facility.

IPO and Formation Transactions

In May 2013, we completed our IPO raising net proceeds of approximately $203.2 million after deducting the underwriting discount. Using proceeds from our IPO and borrowings under our credit facility, we repaid approximately $150.0 million of debt and as a result, unencumbered nine properties all of which now serve as borrowing base collateral for the credit facility:

Properties Unencumbered	**Debt Repaid** ($ in thousands)
Parkway Marketplace	$ 5,669
Two Columbus	18,785
Gainsborough Square	9,732
North Point – Note 3	9,242
Courthouse 7-Eleven	1,485
Sentara Williamsburg	10,915
Virginia Natural Gas	5,457
Richmond Tower	46,523
Armada Hoffler Tower	38,813
	146,621
Other Debt Reduction	
Broad Creek – Note 2	2,697
Oyster Point Participation Loan	643
	3,340
Total	**$ 149,961**

Consolidated Indebtedness

On July 3, 2013, we repaid the loan secured by the Main Street Land and on July 30, 2013 closed on a $63.0 million loan to fund our construction of 4525 Main Street and Encore Apartments. The loan matures on January 30, 2017 and is interest only at LIBOR plus 1.95%. The loan is a credit line deed of trust in which we will submit loan draws periodically to fund construction of the projects. As of September 30, 2013, we did not have any amounts outstanding on the construction loan. We purchased a LIBOR interest rate cap with a strike price of 3.50% and a term ending on March 1, 2016 for the full amount of the construction loan.

On July 17, 2013, we closed on the full defeasance of the One Columbus loan, making One Columbus available to add as borrowing base collateral for the credit facility. The outstanding principal balance of the loan at the time of the defeasance was approximately $13.9 million and the cost of the defeasance was approximately $1.0 million.

We currently are in compliance with all debt covenants on our outstanding indebtedness.

The following table sets forth our consolidated indebtedness as of September 30, 2013 ($ in thousands):

	Amount Outstanding	Interest Rate(1)	Effective Rate as of September 30, 2013	Maturity Date	Balance at Maturity
Oyster Point	$ 6,513	5.41%		December 1, 2015	$ 6,089
Broad Creek Shopping Center					
Note 1	4,516	LIBOR+3.00	3.18%	November 29, 2014	4,454
Note 2	8,290	LIBOR+2.75	2.93%	December 7, 2016	7,947
Note 3	3,471	LIBOR+2.75	2.93%	December 7, 2016	3,327
Hanbury Village					
Note 1	21,506	6.67		October 11, 2017	20,499
Note 2	4,296	LIBOR+2.75	2.93%	February 28, 2015	4,226
Harrisonburg Regal	3,887	6.06		June 8, 2017	3,165
North Point Center					
Note 1	10,359	6.45		February 5, 2019	9,333
Note 2	2,858	7.25		September 15, 2015	1,344
Note 4	1,036	5.59		December 1, 2014	1,007
Note 5	710	LIBOR+2.00	3.57%(2)	February 1, 2017	641
Tyre Neck Harris Teeter	2,650	LIBOR+2.75	2.93%	June 10, 2014	2,650
249 Central Park Retail	15,899	5.99		September 8, 2016	15,084
South Retail	7,014	5.99		September 8, 2016	6,655
Studio 56 Retail	2,708	3.75		May 7, 2015	2,592
Commerce Street Retail	6,754	LIBOR+3.00	3.18%	August 18, 2014	6,694
Fountain Plaza Retail	7,949	5.99		September 8, 2016	7,542
Dick's at Town Center	8,334	LIBOR+2.75	2.93%	October 31, 2017	7,889
The Cosmopolitan	47,867	3.75		July 1, 2051	—
Bermuda Crossroads	10,773(3)	6.01		January 1, 2014	10,710
Smith's Landing	24,870(3)	LIBOR+2.15	2.33%	January 31, 2014	24,770
Stabilized Portfolio	**$ 202,260**				**$ 146,618**
Credit Facility	45,000	LIBOR+1.60-2.20	1.93%(4)	May 13, 2016	45,000
4525 Main Street	—	LIBOR+1.95	2.13%(5)	January 30, 2017	—
Encore Apartments	—	LIBOR+1.95	2.13%(5)	January 30, 2017	—
Total	**$ 247,260**				**$ 191,618**
Unamortized fair value adjustments	96				
Indebtedness	**$ 247,356**				

(1) LIBOR rate is determined by individual lenders.
(2) Subject to an interest rate swap lock.
(3) Principal balance excluding fair value adjustments.
(4) Subject to a $40.0 million LIBOR interest rate cap of 1.50%.
(5) Subject to a LIBOR interest rate cap of 3.50%.

As of September 30, 2013 our outstanding indebtedness matures during the following years:

Year	Amount Due ($ in thousands)	Percentage of Total
2013	$ —	—%
2014	50,285	26
2015	14,251	7
2016	85,555	45
2017 and thereafter	41,527	22
	$ 191,618	**100%**

In October 2013, we:

- Closed on an $18.5 million loan to fund our construction of Whetstone Apartments. The loan bears interest at LIBOR plus 1.90% and matures on October 8, 2016, with a one-year extension option. We purchased a LIBOR interest rate cap with a strike price of 1.50% and a term ending on April 1, 2016 for the full amount of the construction loan.
- Repaid the Bermuda Crossroads loan for approximately $10.8 million. As a result, Bermuda Crossroads is now available to add as borrowing base collateral for the credit facility.
- Refinanced six loans with Bank of America: Broad Creek Shopping Center Notes 1, 2 and 3, Commerce Street Retail, Hanbury Village Note 2 and Tyre Neck Harris Teeter, to extend each of the maturity dates to October 31, 2018 and lower the interest rates to LIBOR plus 2.25%. We collectively prepaid approximately $1.4 million of principal on three of these loans. Bank of America also agreed to make each of these six loans non-recourse.

We are in the process of refinancing the loan secured by Smith's Landing, which matures on January 31, 2014; however, we can provide no assurances that we will be able to refinance this loan on favorable terms, or at all. Our only other outstanding indebtedness scheduled to mature in 2014 is North Point Center Note 4, which will have an outstanding balance due at maturity of approximately $1.0 million on December 1, 2014.

Cash Flows

Comparison of the nine months ended September 30, 2013 and 2012.

	Nine Months Ended September 30,		
	2013	2012	Change
	($ in thousands)		
Operating Activities	$ 18,188	$ 8,459	$ 9,729
Investing Activities	(29,215)	(1,923)	(27,292)
Financing Activities	11,402	(11,565)	22,967
Net Increase/(Decrease)	**$ 375**	**$ (5,029)**	**$ 5,404**
Cash and Cash Equivalents, Beginning of Period	$ 9,400	$ 13,449	
Cash and Cash Equivalents, End of Period	$ 9,775	$ 8,420	

Net cash provided by operating activities increased approximately $9.7 million for the nine months ended September 30, 2013 compared to the corresponding 2012 period. The increase in net cash provided by operating activities resulted primarily from increased cash flows from property assets during 2013. Net income adjusted for non-cash items also contributed to the increase in operating cash flows during 2013.

Net cash used for investing activities was approximately $(29.2) million and $(1.9) million for the nine months ended September 30, 2013 and 2012, respectively. The $(27.3) million change in net cash used for investing activities resulted principally from increased real estate development during the nine months ended September 30, 2013. In January 2013, we began construction of 4525 Main Street and Encore Apartments. During the three months ended September 30, 2013, we began construction of Whetstone Apartments.

Net cash provided by (used for) financing activities was approximately $11.4 million and $(11.6) million for the nine months ended September 30, 2013 and 2012, respectively. The $23.0 million change in net cash provided by financing activities resulted from cash proceeds from our IPO and borrowings under our credit facility offset by repayments of debt.

Non-GAAP Financial Measures

We calculate FFO in accordance with the standards established by NAREIT. NAREIT defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in

accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth a reconciliation of FFO for the three and nine months ended September 30, 2013 and 2012 to net income, the most directly comparable GAAP equivalent:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	($ in thousands)			
Net income	$ 1,252	$ 1,755	$11,587	$ 5,748
Depreciation and amortization	3,933	2,718	11,112	9,297
Gain on acquisitions	—	—	(9,460)	—
Income from real estate joint ventures	—	(68)	(210)	(139)
Depreciation of real estate joint ventures	—	84	125	255
Funds from operations	**$ 5,185**	**$ 4,489**	**$13,154**	**$15,161**

Net income for the three months ended September 30, 2013 includes debt extinguishment losses of approximately $1.1 million and non-cash stock compensation of approximately $0.2 million.

Net income for the nine months ended September 30, 2013 includes debt extinguishment losses of approximately $2.3 million, non-cash stock compensation of approximately $1.0 million and non-cash impairment charges of approximately $0.5 million.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Predecessor's historical combined financial statements that have been prepared in accordance with GAAP. The preparation of these financial statements requires us to exercise our best judgment in making estimates that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on an ongoing basis, based upon current available information. Actual results could differ from these estimates.

We believe the following accounting policies and estimates are the most critical to understanding our reported financial results as their effect on our financial condition and results of operations is material.

Revenue Recognition

Rental Revenues

We lease our properties under operating leases and recognize base rents on a straight-line basis over the lease term. We also recognize revenue from tenant recoveries, through which tenants reimburse us for expenses paid by us such as utilities, janitorial, repairs and maintenance, security and alarm, parking lot and grounds, general and administrative, management fees, insurance and real estate taxes, on an accrual basis. Our rental revenues are reduced by the amount of any lease incentives on a straight-line basis over the term of the applicable lease. We include a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably assured. We begin recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under lease. We maintain control of the physical use of the property under lease if we serve as the general contractor for the tenant. Rental revenue is recognized subject to management's evaluation of tenant credit risk.

General Contracting and Real Estate Services Revenues

We recognize revenue on construction contracts using the percentage-of-completion method. Using this method, we recognize revenue and an estimated profit as construction contract costs are incurred based on the proportion of incurred costs to total estimated costs under the contract. Provisions for estimated losses on uncompleted contracts are recognized immediately in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which they are determined. We include profit incentives in revenues when their realization is probable and the amount can be reasonably estimated. General contracting and real estate services revenue is recognized subject to management's evaluation of customer credit risk.

Allowance for Doubtful Accounts

We are subject to tenant defaults and bankruptcies that could affect our collection of accounts receivable. We recognize a provision for losses on accounts receivable representing our best estimate of uncollectible amounts. Our evaluation of the collectability of accounts receivable and the adequacy of the allowance is based primarily upon evaluations of individual receivables,

current economic conditions, historical experience and other relevant factors. As a matter of policy, we reserve all accounts receivable over 90 days outstanding. For any tenants with rents receivable over 90 days outstanding, we also reserve any related accrued straight-line rental revenue. We recognize additional reserves for more current amounts, as applicable, where we have determined that collectability is doubtful. The extended collection period for accrued straight-line rental revenue along with our evaluation of tenant credit risk may result in the non-recognition of all or a portion of straight-line rental revenue until the collection of such revenue is reasonably assured.

Real Estate Project Costs

We capitalize direct and certain indirect costs clearly associated with the development, construction, leasing or expansion of our real estate assets. Capitalized project costs include direct material, labor, subcontract costs, real estate taxes, insurance, utilities, ground rent, interest on borrowing obligations and salaries and related personnel costs.

We capitalize direct and indirect project costs associated with the initial construction of a property up to the time the property is substantially complete and ready for its intended use. We believe the completion of the building shell is the proper basis for determining substantial completion.

We also capitalize direct and indirect costs, including interest costs, on vacant space during extended lease-up periods after construction of the building shell has been completed if costs are being incurred to prepare the vacant space for its intended use. If costs and activities incurred to prepare the vacant space for its intended use cease, then cost capitalization is also discontinued until such activities are resumed. Once necessary work has been completed on a vacant space, project costs are no longer capitalized. In addition, all leasing commissions paid to third parties for new leases or lease renewals are capitalized.

We depreciate buildings on a straight-line basis over 39 years and tenant improvements over the shorter of their estimated useful lives or the term of the related lease.

Real Estate Impairment

We evaluate our real estate assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is necessary, we compare the carrying amount of any such real estate asset with the undiscounted expected future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. Our estimate of the expected future cash flows attributable to a real estate asset is based upon, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, tenant improvements, leasing commissions, tenant concessions and assumptions regarding the residual value of our properties. If the carrying amount of a real estate asset exceeds its associated undiscounted expected future cash flows, we recognize an impairment loss to reduce the carrying amount of the real estate asset to its fair value based on marketplace participant assumptions.

Adoption of New or Revised Accounting Standards

As an emerging growth company under the Jumpstart Our Business Startups Act, we can elect to adopt new or revised accounting standards as they are effective for private companies. However, we have elected to opt out of such extended transition period. Therefore, we will adopt new or revised accounting standards as they are effective for public companies. This election is irrevocable.

Inflation

Substantially all of our office and retail leases provide for the recovery of increases in real estate taxes and operating expenses. In addition, substantially all of the leases provide for annual rent increases. We believe that inflationary increases may be offset in part by the contractual rent increases and expense escalations previously described. In addition, our multifamily leases generally have lease terms ranging from 7 to 15 months with a majority having 12-month lease terms allowing negotiation of rental rates at term end, which we believe reduces our exposure to the effects of inflation.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary market risk to which we are exposed is interest rate risk. Our primary interest rate exposure is daily LIBOR. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates. On a limited basis, we also use derivative financial instruments to manage interest rate risk. We do not use these derivatives for trading or other speculative purposes. We have not designated any of our derivatives as hedges for accounting purposes.

At September 30, 2013, after giving effect to our interest rate swap derivatives, approximately $179.1 million, or 72%, of our debt had fixed interest rates and approximately $68.2 million, or 28%, had variable interest rates. Assuming no increase in the level of our variable rate debt, if interest rates increased by 1.0% our cash flow would decrease by approximately $0.7 million per year. At September 30, 2013, LIBOR was approximately 18 basis points. Assuming no increase in the level of our variable rate debt, if LIBOR was reduced to 0 basis points our cash flow would increase by approximately $0.1 million per year.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of September 30, 2013, the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded, as of September 30, 2013, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act: (i) is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

No changes to our internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operations if determined adversely to us. We may be subject to on-going litigation relating to our portfolio and the properties comprising our portfolio, and we expect to otherwise be party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the section entitled “Risk Factors” in the final prospectus we filed with the SEC on May 9, 2013 pursuant to Rule 424(b) of the Securities Act.

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

Unregistered Sales of Equity Securities

We did not make any unregistered sales of our securities during the quarter ended September 30, 2013. In connection with the formation and initial capitalization of our company, on October 12, 2012, we issued 1,000 shares of our common stock to Louis S. Haddad for an aggregate purchase price of $1,000. The issuance of the 1,000 shares was effected in reliance upon an exemption from registration provided under Section 4(a)(2) of the Securities Act. We repurchased these 1,000 shares on September 9, 2013 for an aggregate purchase price of $1,000.

Use of Proceeds from Registered Securities

On May 13, 2013, we closed our initial public offering, pursuant to which we sold 16,525,000 shares of our common stock to the public at a public offering price of $11.50 per share. On May 21, 2013, the underwriters of our initial public offering exercised their option in full to purchase an additional 2,478,750 shares of our common stock from us at the public offering price, less the underwriting discount. We raised approximately $218.5 million in gross proceeds, resulting in net proceeds to us of approximately $192.2 million after deducting approximately $15.3 million in underwriting discounts and approximately $11.0 million in other expenses relating to the initial public offering.

All of the 19,003,750 shares were sold pursuant to: (i) our registration statement on Form S-11, as amended (File No. 333-187513), that was declared effective by the SEC on May 7, 2013 and (ii) our immediately effective registration statement on Form S-11 (File No. 333-188422) filed with the SEC on May 8, 2013 pursuant to Rule 462(b) of the Securities Act. Robert W. Baird & Co. Incorporated, Raymond James & Associates, Inc. and Stifel, Nicolaus & Company, Incorporated acted as joint book-running managers for the offering and as representatives of the underwriters.

We contributed the net proceeds of our initial public offering to our Operating Partnership in exchange for common units of limited partnership interests in our Operating Partnership, and our Operating Partnership used the net proceeds received from us as described below:

- approximately $150.6 million to repay outstanding indebtedness, including exit fees, defeasance costs and assumption costs of approximately $0.6 million and
- approximately $47.2 million as partial consideration for the equity interests in the entities comprising our Predecessor that we acquired from prior investors in connection with our formation transactions.

As of September 30, 2013, no net proceeds of our initial public offering remained. This use of proceeds does not represent a material change from the use of proceeds described in the final prospectus we filed with the SEC on May 9, 2013 pursuant to Rule 424(b) of the Securities Act.

Item 3. Defaults on Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
10.1*	Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P.
10.2*	Armada Hoffler, L.P. Executive Severance Benefit Plan with the participants listed on Schedule A thereto
10.3*	Indemnification Agreement between Armada Hoffler Properties, Inc. and each of the Directors and Officers listed on Schedule A thereto
10.4*	Tax Protection Agreement by and among Armada Hoffler Properties, Inc., Armada Hoffler, L.P., and the persons listed on the signature page thereto
10.5*	Representation, Warranty and Indemnity Agreement among Armada Hoffler Properties, Inc., Armada Hoffler, L.P. and Daniel A. Hoffler
15.1*	Acknowledgment of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer 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
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF***	XBRL Definition Linkbase

* Filed herewith

** Furnished herewith

*** Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Signatures

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

ARMADA HOFFLER PROPERTIES, INC.

Date: November 12, 2013

/s/ LOUIS S. HADDAD

Louis S. Haddad
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2013

/s/ MICHAEL P. O'HARA

Michael P. O'Hara
Chief Financial Officer and Treasurer
(Principal Accounting and Financial Officer)

Exhibit Index

Exhibit No.	Description
10.1*	Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P.
10.2*	Armada Hoffler, L.P. Executive Severance Benefit Plan with the participants listed on Schedule A thereto
10.3*	Indemnification Agreement between Armada Hoffler Properties, Inc. and each of the Directors and Officers listed on Schedule A thereto
10.4*	Tax Protection Agreement by and among Armada Hoffler Properties, Inc., Armada Hoffler, L.P., and the persons listed on the signature page thereto
10.5*	Representation, Warranty and Indemnity Agreement among Armada Hoffler Properties, Inc., Armada Hoffler, L.P. and Daniel A. Hoffler
15.1*	Acknowledgment of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer 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
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF***	XBRL Definition Linkbase

* Filed herewith

** Furnished herewith

*** Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Exhibit 10.1

FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

ARMADA HOFFLER, L.P.
(a Virginia limited partnership)

TABLE OF CONTENTS

ARTICLE I	DEFINED TERMS	1
ARTICLE II	FORMATION OF THE PARTNERSHIP	10
2.01	Formation of the Partnership	10
2.02	Name	11
2.03	Registered Office and Agent; Principal Office	11
2.04	Term and Dissolution	11
2.05	Filing of Certificate and Perfection of Limited Partnership	12
2.06	Certificates Describing Partnership Units	12
ARTICLE III	BUSINESS OF THE PARTNERSHIP	12
ARTICLE IV	CAPITAL CONTRIBUTIONS AND ACCOUNTS	13
4.01	Capital Contributions	13
4.02	Additional Capital Contributions and Issuances of Additional Partnership Units	13
4.03	Additional Funding	16
4.04	LTIP Units	16
4.05	Conversion of LTIP Units	19
4.06	Capital Accounts	22
4.07	Percentage Interests	22
4.08	No Interest on Contributions	23
4.09	Return of Capital Contributions	23
4.10	No Third-Party Beneficiary	23
ARTICLE V	PROFITS AND LOSSES; DISTRIBUTIONS	23
5.01	Allocation of Profit and Loss	23
5.02	Distribution of Cash	25
5.03	REIT Distribution Requirements	27
5.04	No Right to Distributions in Kind	27
5.05	Limitations on Return of Capital Contributions	27
5.06	Distributions Upon Liquidation	27
5.07	Substantial Economic Effect	27
ARTICLE VI	RIGHTS, OBLIGATIONS AND POWERS OF THE GENERAL PARTNER	28
6.01	Management of the Partnership	28
6.02	Delegation of Authority	30
6.03	Indemnification and Exculpation of Indemnitees	30
6.04	Liability of the General Partner	32
6.05	Partnership Obligations	33
6.06	Outside Activities	33
6.07	Employment or Retention of Affiliates	33
6.08	General Partner Activities	34
6.09	Title to Partnership Assets	34
ARTICLE VII	CHANGES IN GENERAL PARTNER	34
7.01	Transfer of the General Partner’s Partnership Interest	34
7.02	Admission of a Substitute or Additional General Partner	36
7.03	Effect of Bankruptcy, Withdrawal, Death or Dissolution of General Partner	37
7.04	Removal of General Partner	37

ARTICLE VIII	RIGHTS AND OBLIGATIONS OF THE LIMITED PARTNERS	38
8.01	Management of the Partnership	38
8.02	Power of Attorney	39
8.03	Limitation on Liability of Limited Partners	39
8.04	Common Unit Redemption Right	39
8.05	Registration	42
ARTICLE IX	TRANSFERS OF PARTNERSHIP INTERESTS	46
9.01	Purchase for Investment	46
9.02	Restrictions on Transfer of Partnership Units	46
9.03	Admission of Substitute Limited Partner	47
9.04	Rights of Assignees of Partnership Units	48
9.05	Effect of Bankruptcy, Death, Incompetence or Termination of a Limited Partner	48
9.06	Joint Ownership of Partnership Units	49
ARTICLE X	BOOKS AND RECORDS; ACCOUNTING; TAX MATTERS	49
10.01	Books and Records	49
10.02	Custody of Partnership Funds; Bank Accounts	49
10.03	Fiscal and Taxable Year	50
10.04	Annual Tax Information and Report	50
10.05	Tax Matters Partner; Tax Elections; Special Basis Adjustments	50
ARTICLE XI	AMENDMENT OF AGREEMENT; MERGER	51
11.01	Amendment of Agreement	51
11.02	Merger of Partnership	52
ARTICLE XII	GENERAL PROVISIONS	52
12.01	Notices	52
12.02	Survival of Rights	52
12.03	Additional Documents	52
12.04	Severability	52
12.05	Entire Agreement	52
12.06	Pronouns and Plurals	53
12.07	Headings	53
12.08	Counterparts	53
12.09	Governing Law	53

EXHIBITS

EXHIBIT A—Partners, Capital Contributions and Percentage Interests

EXHIBIT B—Notice of Exercise of Common Unit Redemption Right

EXHIBIT C-1—Certification of Non-Foreign Status (For Redeeming Limited Partners That Are Entities)

EXHIBIT C-2—Certification of Non-Foreign Status (For Redeeming Limited Partners That Are Individuals)

EXHIBIT D—Notice of Election by Partner to Convert LTIP Units into Common Units

EXHIBIT E—Notice of Election by Partnership to Force Conversion of LTIP Units into Common Units

FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
ARMADA HOFFLER, L.P.
RECITALS

Armada Hoffler, L.P. (the **"Partnership"**) was formed as a limited partnership under the laws of the Commonwealth of Virginia, pursuant to a Certificate of Limited Partnership filed with the Virginia State Corporation Commission effective as of October 16, 2012 and an Agreement of Limited Partnership entered into as of October 16, 2012 (the "**Original Agreement")**, by and between Armada Hoffler Properties, Inc., a Maryland corporation (the "**General Partner**"), and Louis S. Haddad (the **"Original Limited Partner"**). This First Amended and Restated Agreement of Limited Partnership is entered into this 13th day of May, 2013 among the General Partner and the Limited Partners set forth on Exhibit A hereto, for the purpose of amending and restating the Agreement of Limited Partnership.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, of mutual covenants between the parties hereto, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend the Agreement of Limited Partnership to read in its entirety as follows:

ARTICLE I

DEFINED TERMS

The following defined terms used in this Agreement shall have the meanings specified below:

"**Act**" means the Virginia Revised Uniform Limited Partnership Act, as it may be amended from time to time.

"**Additional Funds**" has the meaning set forth in Section 4.03 hereof.

"**Additional Securities**" means any: (1) shares of capital stock of the General Partner now or hereafter authorized or reclassified that have dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares ("**Preferred Shares**"), (2) REIT Shares, (3) shares of capital stock of the General Partner now or hereafter authorized or reclassified that have dividend rights, or rights upon liquidation, winding up and dissolution, that are junior in rank to the REIT Shares ("**Junior Shares**") and (4) (i) rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares, Preferred Shares or Junior Shares, or (ii) indebtedness issued by the General Partner that provides any of the rights described in clause (4)(i) of this definition (any such securities referred to in clause (4)(i) or (ii) of this definition, "**New Securities**").

"**Adjustment Events**" has the meaning set forth in Section 4.04(a)(i) hereof.

"**Administrative Expenses**" means (i) all administrative and operating costs and expenses incurred by the Partnership, (ii) administrative costs and expenses of the General Partner, including any salaries or other payments to directors, officers or employees of the General Partner, and any accounting and legal expenses of the General Partner, which expenses, the Partners hereby agree are expenses of the Partnership and not the General Partner, and (iii) to the extent not included in clauses (i) or (ii) above, REIT Expenses; provided, however, that Administrative Expenses shall not include any administrative costs and expenses incurred by the General Partner that are attributable to Properties or interests in a Subsidiary that are owned by the General Partner other than through its ownership interest in the Partnership.

"**Affiliate**" means, (i) any Person that, directly or indirectly, controls or is controlled by or is under common control with such Person, (ii) any other Person that owns, beneficially, directly or indirectly, 10% or more of the outstanding capital stock, shares or equity interests of such Person, or (iii) any officer, director, employee, partner, member, manager or trustee of such Person or any Person controlling, controlled by or under common control with such Person. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities or partnership interests, contract or otherwise.

"**Agreed Value**" means the fair market value of a Partner's non-cash Capital Contribution as of the date of contribution as agreed to by such Partner and the General Partner. The names and addresses of the Partners, number of Partnership Units issued to each Partner, and the Agreed Value of non-cash Capital Contributions as of the date of contribution is set forth on Exhibit A, as it may be amended or restated from time to time.

"**Agreement**" means this First Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"**Articles**" means the Articles of Amendment and Restatement of the General Partner filed with the State Department and Assessments and Taxation of the State of Maryland, as amended, supplemented or restated from time to time.

"**Board of Directors**" means the Board of Directors of the General Partner.

"**Capital Account**" has the meaning set forth in Section 4.06 hereof.

"**Capital Account Limitation**" has the meaning set forth in Section 4.05(b) hereof.

"**Capital Contribution**" means the total amount of cash, cash equivalents, and the Agreed Value of any Property or other asset contributed or agreed to be contributed, as the context requires, to the Partnership by each Partner pursuant to the terms of the Agreement. Any reference to the Capital Contribution of a Partner shall include the Capital Contribution made by a predecessor holder of the Partnership Interest of such Partner.

"**Cash Amount**" means an amount of cash per Common Unit equal to the Value of the REIT Shares Amount on the Specified Redemption Date.

"**Certificate**" means any instrument or document that is required under the laws of the Commonwealth of Virginia, or any other jurisdiction in which the Partnership conducts business, to be signed and sworn to by the Partners of the Partnership (either by themselves or pursuant to the power-of-attorney granted to the General Partner in Section 8.02 hereof) and filed for recording in the appropriate public offices within the Commonwealth of Virginia or such other jurisdiction to perfect or maintain the Partnership as a limited partnership, to effect the admission, withdrawal or substitution of any Partner of the Partnership, or to protect the limited liability of the Limited Partners as limited partners under the laws of the Commonwealth of Virginia or such other jurisdiction.

"**Change of Control**" means, as to the General Partner, the occurrence of any of the following: (i) the sale, lease or transfer, in one or a series of related transactions, of 80% or more of the assets of the General Partner, taken as a whole, to any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), other than an Affiliate of the General Partner; or (ii) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than an Affiliate of the General Partner in a single transaction or in a related series of transactions, by way of merger, share exchange, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of more than 50% of the total voting power of the voting capital stock of the General Partner.

"**Code**" means the Internal Revenue Code of 1986, as amended, and as hereafter amended from time to time. Reference to any particular provision of the Code shall mean that provision in the Code at the date hereof and any successor provision of the Code.

"**Commission**" means the U.S. Securities and Exchange Commission.

"**Common Partnership Unit Distribution**" has the meaning set forth in Section 4.04(a)(ii) hereof.

"**Common Redemption Amount**" means either the Cash Amount or the REIT Shares Amount, as selected by the General Partner pursuant to Section 8.04(b) hereof.

"**Common Unit**" means a Partnership Unit which is designated as a Common Unit of the Partnership.

"**Common Unit Economic Balance**" has the meaning set forth in Section 5.01(g) hereof.

"**Common Unit Redemption Right**" has the meaning set forth in Section 8.04(a) hereof.

"**Common Unit Transaction**" has the meaning set forth in Section 4.05(f) hereof.

"**Constituent Person**" has the meaning set forth in Section 4.05(f) hereof.

"**Conversion Date**" has the meaning set forth in Section 4.05(b) hereof.

"**Conversion Factor**" means a factor of 1.0, as such factor may be adjusted as provided in this definition and in Section 6.08. The Conversion Factor will be adjusted in the event that the General Partner (i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares, (ii) subdivides its outstanding REIT Shares or (iii) combines its outstanding REIT Shares into a smaller number of REIT Shares. In each of such events, the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purposes that such dividend, distribution, subdivision or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on such record date and, provided further, that in the event that an entity other than an Affiliate of the General Partner shall become General Partner pursuant to any merger, consolidation or combination of the General Partner with or into another entity (the "**Successor Entity**"), the Conversion Factor shall be adjusted by multiplying the Conversion Factor by the number of shares of the Successor Entity into which one REIT Share is converted pursuant to such merger, consolidation or combination, determined as of the date of such merger, consolidation or combination. Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event. If, however, the General Partner receives a Notice of Redemption after the record date, if any, but prior to the effective date of such event, the Conversion Factor shall be determined as if the General Partner had received the Notice of Redemption immediately prior to the record date for the event.

"**Conversion Notice**" has the meaning set forth in Section 4.05(b) hereof.

"**Conversion Right**" has the meaning set forth in Section 4.05(a) hereof.

"**Defaulting Limited Partner**" means a Limited Partner that has failed to pay any amount owed to the Partnership under a Partnership Loan within 15 days after demand for payment thereof is made by the Partnership.

"**Distributable Amount**" has the meaning set forth in Section 5.02(d) hereof.

"**Economic Capital Account Balances**" has the meaning set forth in Section 5.01(g) hereof.

"**Equity Incentive Plan**" means any equity incentive or compensation plan hereafter adopted by the Partnership or the General Partner, including, without limitation, the General Partner's 2013 Equity Incentive Plan.

"**Event of Bankruptcy**" as to any Person means (i) the filing of a petition for relief as to such Person as debtor or bankrupt under the Bankruptcy Code of 1978, as amended, or similar provision of law of any jurisdiction (except if such petition is contested by such Person and has been dismissed within 90 days); (ii) the insolvency or bankruptcy of such Person as finally determined by a court proceeding; (iii) the filing by such Person of a petition or application to accomplish the same or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; or (iv) the commencement of any proceedings relating to such Person

as a debtor under any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 90 days.

"**Excepted Holder Limit**" has the meaning set forth in the Articles.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Forced Conversion**" has the meaning set forth in Section 4.05(c) hereof.

"**Forced Conversion Notice**" has the meaning set forth in Section 4.05(c) hereof.

"**General Partner**" has the meaning set forth in the first paragraph of this Agreement.

"**General Partner Loan**" means a loan extended by the General Partner to a Defaulting Limited Partner in the form of a payment on a Partnership Loan by the General Partner to the Partnership on behalf of the Defaulting Limited Partner.

"**General Partnership Interest**" means the Partnership Interest held by the General Partner in its capacity as the general partner of the Partnership, which Partnership Interest is an interest as a general partner under the Act. The General Partnership Interest will be a number of Common Units held by the General Partner equal to one-tenth of one percent (0.1%) of all outstanding Partnership Units. All other Partnership Units owned by the General Partner and any Partnership Units owned by any Affiliate or Subsidiary of the General Partner shall be considered to constitute a Limited Partnership Interest.

"**Indemnified Party**" has the meaning set forth in Section 8.05(f) hereof.

"**Indemnifying Party**" has the meaning set forth in Section 8.05(f) hereof.

"**Indemnitee**" means (i) any Person made a party to a proceeding by reason of its status as (A) the General Partner or (B) a director of the General Partner or an officer or employee of the Partnership, the General Partner or any Subsidiary thereof, and (ii) such other Persons (including Affiliates of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"**Independent Director**" means a director of the General Partner who meets the NYSE requirements for an independent director as set forth from time to time.

"**Junior Shares**" has the meaning set forth in the definition of "Additional Securities."

"**Limited Partner**" means any Person named as a Limited Partner on Exhibit A attached hereto, as it may be amended or restated from time to time, and any Person who becomes a Substitute Limited Partner or any additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"**Limited Partnership Interest**" means a Partnership Interest held by a Limited Partner at any particular time representing a fractional part of the Partnership Interest of all Limited Partners, and includes any and all benefits to which the holder of such a Limited Partnership Interest may be entitled as provided in this Agreement and in the Act, together with the obligations of such Limited Partner to comply with all the provisions of this Agreement and of the Act. Limited Partnership Interests may be expressed as a number of Common Units, LTIP Units or other Partnership Units.

"**Liquidating Gains**" has the meaning set forth in Section 5.01(g) hereof.

"**LTIP Unit**" means a Partnership Unit which is designated as an LTIP Unit and which has the rights, preferences and other privileges designated in Section 4.04 hereof and elsewhere in this Agreement in respect of holders of LTIP Units, including both vested LTIP Units and Unvested LTIP Units. The allocation of LTIP Units among the Partners shall be set forth on Exhibit A as it may be amended or restated from time to time.

"**LTIP Unitholder**" means a Partner that holds LTIP Units.

"**Loss**" has the meaning set forth in Section 5.01(h) hereof.

"**Majority in Interest**" means Limited Partners holding more than fifty percent (50%) of the Percentage Interests of the Limited Partners.

"**New Securities**" has the meaning set forth in the definition of "Additional Securities".

"**Notice of Redemption**" means the Notice of Exercise of Common Unit Redemption Right substantially in the form attached as Exhibit B hereto.

"**NYSE**" means the New York Stock Exchange.

"**Offer**" has the meaning set forth in Section 7.01(c)(ii) hereof.

"**Offering**" means the underwritten initial public offering of REIT Shares.

"Original Date" means May 13, 2013.

"**Original Limited Partner**" has the meaning set forth in the first paragraph of this Agreement.

"**Partner**" means any General Partner or Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"**Partner Nonrecourse Debt Minimum Gain**" has the meaning set forth in Regulations Section 1.704-2(i). A Partner's share of Partner Nonrecourse Debt Minimum Gain shall be determined in accordance with Regulations Section 1.704-2(i)(5).

"**Partnership**" means Armada Hoffler, L.P., a limited partnership formed under the Act and pursuant to this Agreement, and any successor thereto.

"**Partnership Interest**" means an ownership interest in the Partnership held by a Partner, and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Common Units, LTIP Units or other Partnership Units.

"**Partnership Loan**" means a loan from the Partnership to the Partner on the day the Partnership pays over the excess of the Withheld Amount over the Distributable Amount to a taxing authority.

"**Partnership Minimum Gain**" has the meaning set forth in Regulations Section 1.704-2(d). In accordance with Regulations Section 1.704-2(d), the amount of Partnership Minimum Gain is determined by first computing, for each Partnership nonrecourse liability, any gain the Partnership would realize if it disposed of the property subject to that liability for no consideration other than full satisfaction of the liability, and then aggregating the separately computed gains. A Partner's share of Partnership Minimum Gain shall be determined in accordance with Regulations Section 1.704-2(g)(1).

"**Partnership Record Date**" means the record date established by the General Partner for the distribution of cash pursuant to Section 5.02 hereof, which record date shall be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"**Partnership Unit**" means a fractional, undivided share of the Partnership Interests of all Partners issued hereunder, and includes Common Units, LTIP Units and any other class or series of Partnership Units that may be established after the date hereof in accordance with the terms hereof. The number of Partnership Units outstanding and the Percentage Interests represented by such Partnership Units are set forth on Exhibit A hereto, as it may be amended or restated from time to time.

"**Partnership Unit Designation**" has the meaning set forth in Section 4.02(a)(i) hereof.

"**Percentage Interest**" means the percentage determined by dividing the number of Common Units of a Partner by the aggregate number of Common Units of all Partners, treating LTIP Units, in accordance with Section 4.04(a), as Common Units for this purpose.

"**Person**" means any individual, partnership, corporation, limited liability company, joint venture, trust or other entity.

"**Preferred Shares**" has the meaning set forth in the definition of "Additional Securities".

"**Profit**" has the meaning set forth in Section 5.01(h) hereof.

"**Property**" means any property or other investment in which the Partnership, directly or indirectly, holds an ownership interest.

"**Redeeming Limited Partner**" has the meaning set forth in Section 8.04(a) hereof.

"**Redemption Shares**" has the meaning set forth in Section 8.05(a) hereof.

"**Regulations**" means the Federal Income Tax Regulations issued under the Code, as amended and as subsequently amended from time to time. Reference to any particular provision of the Regulations shall mean that provision of the Regulations on the date hereof and any successor provision of the Regulations.

"**REIT**" means a real estate investment trust under Sections 856 through 860 of the Code.

"**REIT Expenses**" means (i) costs and expenses relating to the formation and continuity of existence and operation of the General Partner and any Subsidiaries thereof (which Subsidiaries shall, for purposes hereof, be included within the definition of the General Partner), including taxes, fees and assessments associated therewith, any and all costs, expenses or fees payable to any director, officer or employee of the General Partner, (ii) costs and expenses relating to any public offering and registration, or private offering, of securities by the General Partner, and all statements, reports, fees and expenses incidental thereto, including, without limitation, underwriting discounts and selling commissions applicable to any such offering of securities, and any costs and expenses associated with any claims made by any holders of such securities or any underwriters or placement agents thereof, (iii) costs and expenses associated with any repurchase of any securities by the General Partner, (iv) costs and expenses associated with the preparation and filing of any periodic or other reports and communications by the General Partner under federal, state or local laws or regulations, including filings with the Commission, (v) costs and expenses associated with compliance by the General Partner with laws, rules and regulations promulgated by any regulatory body, including the Commission and any securities exchange, (vi) costs and expenses associated with any health, dental, vision, disability, life insurance, 401(k) plan, incentive plan, bonus plan or other plan providing for compensation or benefits for the employees of the General Partner, (vii) costs and expenses incurred by the General Partner relating to any issuing or redemption of Partnership Interests and (viii) all other operating or administrative costs of the General Partner incurred in the ordinary course of its business on behalf of or related to the Partnership.

"**REIT Shares**" means shares of common stock, par value $0.01 per share, of the General Partner (or common stock or common shares of beneficial interest of a Successor Entity, as the case may be).

"**REIT Shares Amount**" means the number of REIT Shares equal to the product of (X) the number of Common Units offered for redemption by a Redeeming Limited Partner, multiplied by (Y) the Conversion Factor as adjusted to and including the Specified Redemption Date; provided that in the event that prior to the Specified Redemption Date, the General Partner issues to all holders of REIT Shares rights, options, warrants or convertible or exchangeable securities entitling the holders of REIT Shares to subscribe for or purchase additional REIT Shares, or any other securities or property (collectively, the "**Rights**"), and such Rights have not expired at the Specified Redemption Date, then the REIT Shares Amount shall also include such Rights issuable to a holder of the REIT Shares Amount on the record date fixed for purposes of determining the holders of REIT Shares entitled to Rights.

"**Restriction Notice**" has the meaning set forth in Section 8.04(f) hereof.

"**Rights**" has the meaning set forth in the definition of "REIT Shares Amount" herein.

"**Rule 144**" has the meaning set forth in Section 8.05(c) hereof.

"**S-3 Eligible Date**" has the meaning set forth in Section 8.05(a) hereof.

"Safe Harbor" has the meaning set forth in Section 10.05(d) hereof.

"**Safe Harbor Election**" has the meaning set forth in Section 11.01 hereof.

"**Safe Harbor Interests**" has the meaning set forth in Section 11.01 hereof.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Service**" means the Internal Revenue Service.

"**Stock Ownership Limit**" has the meaning set forth in the Articles.

"**Specified Redemption Date**" means the first business day of the calendar quarter that is at least 60 calendar days after the receipt by the General Partner of a Notice of Redemption.

"**Subsidiary**" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"**Subsidiary Partnership**" means any partnership or limited liability company in which the General Partner, the Partnership, or a wholly owned subsidiary of the General Partner or the Partnership owns a partnership or limited liability company interest.

"**Substitute Limited Partner**" means any Person admitted to the Partnership as a Limited Partner pursuant to Section 9.03 hereof.

"**Successor Entity**" has the meaning set forth in the definition of "Conversion Factor" herein.

"**Survivor**" has the meaning set forth in Section 7.01(d) hereof.

"**Tax Matters Partner**" has the meaning set forth within Section 6231(a)(7) of the Code.

"**Trading Day**" means a day on which the principal national securities exchange on which a security is listed or admitted to trading is open for the transaction of business or, if a security is not listed or admitted to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"**Transaction**" has the meaning set forth in Section 7.01(c) hereof.

"**Transfer**" has the meaning set forth in Section 9.02(a) hereof.

"**TRS**" means a taxable REIT subsidiary (as defined in Section 856(l) of the Code) of the General Partner.

"**Unvested LTIP Units**" has the meaning set forth in Section 4.04(c)(i) hereof.

"**Value**" means, with respect to any security, the average of the daily market prices of such security for the ten consecutive Trading Days immediately preceding the date of such valuation. The market price for each such Trading Day shall be: (i) if the security is listed or admitted to trading on the NYSE or any other national securities exchange, the last reported sale price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices, regular way, on such day, (ii) if the security is not listed or admitted to trading on the NYSE or any other national securities exchange, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or (iii) if the security is not listed or admitted to trading on the NYSE or any national securities exchange and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than ten days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten days prior to the date in question, the value of the security shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the security includes any additional rights (including any Rights), then the value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"**Vested LTIP Units**" has the meaning set forth in Section 4.04(c)(i) hereof.

"**Vesting Agreement**" means each or any, as the context implies, agreement or instrument entered into by an LTIP Unitholder upon acceptance of an award of LTIP Units under an Equity Incentive Plan.

"**Withheld Amount**" means any amount required to be withheld by the Partnership to pay over to any taxing authority as a result of any allocation or distribution of income to a Partner.

ARTICLE II

FORMATION OF THE PARTNERSHIP

2.01 Formation of the Partnership. The Partnership was formed as a limited partnership pursuant to the provisions of the Act and upon the terms and conditions set forth in the Original Agreement. Concurrently with the execution of this Agreement, the Original Limited Partner is withdrawing from the Partnership and relinquishing any and all rights or interest he may have in the Partnership other than as set forth on Exhibit A, and the Partnership is continued without dissolution. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

2.02 Name. The Name of the Partnership shall be "Armada Hoffler, L.P." and the Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "LP," "L.P." or "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners; provided, however, failure to so notify the Partners shall not invalidate such change or the authority granted hereunder.

2.03 Registered Office and Agent; Principal Office. The registered office of the Partnership in the Commonwealth of Virginia is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462 and the registered agent for service of process on the Partnership in the Commonwealth of Virginia at such registered office is Louis S. Haddad. The principal office of the Partnership is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462, or such other place as the General Partner may from time to time designate. Upon such a change of the principal office of the Partnership, the General Partner shall notify the Partners of such change in the next regular communication to the Partners; provided, however, failure to so notify the Partners shall not invalidate such change or the authority granted hereunder. The Partnership may maintain offices at such other place or places within or outside the Commonwealth of Virginia as the General Partner deems necessary or desirable.

2.04 Term and Dissolution.

(a) The term of the Partnership shall continue in full force and effect until dissolved upon the first to occur of any of the following events:

(i) the occurrence of an Event of Bankruptcy as to a General Partner or the dissolution, death, removal or withdrawal of a General Partner unless the business of the Partnership is continued pursuant to Section 7.03(b) hereof; provided that if a General Partner is on the date of such occurrence a partnership, the dissolution of such General Partner as a result of the dissolution, death, withdrawal, removal or Event of Bankruptcy of a partner in such partnership shall not be an event of dissolution of the Partnership if the business of such General Partner is continued by the remaining partner or partners, either alone or with additional partners, and such General Partner and such partners comply with any other applicable requirements of this Agreement;

(ii) the passage of 90 days after the sale or other disposition of all or substantially all of the assets of the Partnership (provided that if the Partnership receives an installment obligation as consideration for such sale or other disposition, the Partnership shall continue, unless sooner dissolved under the provisions of this Agreement, until such time as such installment obligations are paid in full);

(iii) the redemption of all Limited Partnership Interests (other than any Limited Partnership Interests held by the General Partner), unless the General Partner determines to continue the term of the Partnership by the admission of one or more additional Limited Partners; or

(iv) the dissolution of the Partnership upon election by the General Partner.

(b) Upon dissolution of the Partnership (unless the business of the Partnership is continued pursuant to Section 7.03(b) hereof), the General Partner (or its trustee, receiver, successor or legal representative) shall amend or cancel the Certificate and liquidate the Partnership's assets and apply and distribute the proceeds thereof in accordance with Section 5.06 hereof. Notwithstanding the foregoing, the liquidating General Partner may either (i) defer liquidation of, or withhold from distribution for a reasonable time, any assets of the Partnership (including those necessary to satisfy the Partnership's debts and obligations), or (ii) distribute the assets to the Partners in kind.

2.05 Filing of Certificate and Perfection of Limited Partnership. The General Partner shall execute, acknowledge, record and file at the expense of the Partnership the Certificate and any and all amendments thereto and all requisite fictitious name statements and notices in such places and jurisdictions as may be necessary to cause the Partnership to be treated as a limited partnership under, and otherwise to comply with, the laws of each state or other jurisdiction in which the Partnership conducts business.

2.06 Certificates Describing Partnership Units. At the request of a Limited Partner, the General Partner, at its option, may issue a certificate summarizing the terms of such Limited Partner's interest in the Partnership, including the class or series and number of Partnership Units owned and the Percentage Interest represented by such Partnership Units as of the date of such certificate. Any such certificate (i) shall be in form and substance as determined by the General Partner, (ii) shall not be negotiable and (iii) shall bear a legend to the following effect:

THIS CERTIFICATE IS NOT NEGOTIABLE. THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE ARE GOVERNED BY AND TRANSFERABLE ONLY IN ACCORDANCE WITH (A) THE PROVISIONS OF THE AGREEMENT OF LIMITED PARTNERSHIP OF ARMADA HOFFLER, L.P., AS AMENDED, SUPPLEMENTED OR RESTATED FROM TIME TO TIME, AND (B) ANY APPLICABLE FEDERAL OR STATE SECURITIES OR BLUE SKY LAWS.

ARTICLE III

BUSINESS OF THE PARTNERSHIP

The purpose and nature of the business of the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act, provided, however, that such business shall be limited to and conducted in such a manner as to permit the General Partner at all times to qualify as a REIT, unless the General Partner otherwise ceases to, or the Board of Directors determines, pursuant to Section 5.7 of the Articles, that the General Partner shall no longer qualify as a REIT, (ii) to enter into any partnership, joint venture or other similar

arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged in any of the foregoing and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, and without limiting the General Partner's right in its sole and absolute discretion to cease qualifying as a REIT, the Partners acknowledge that the General Partner intends to elect REIT status and the avoidance of income and excise taxes on the General Partner inures to the benefit of all the Partners and not solely to the General Partner. Notwithstanding the foregoing, the Limited Partners agree that the General Partner may terminate or revoke its status as a REIT under the Code at any time. The General Partner shall also be empowered to do any and all acts and things necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" taxable as a corporation for purposes of Section 7704 of the Code.

ARTICLE IV

CAPITAL CONTRIBUTIONS AND ACCOUNTS

4.01 Capital Contributions. The General Partner and each Limited Partner has made a capital contribution to the Partnership in exchange for the Partnership Units set forth opposite such Partner's name on Exhibit A hereto, as it may be amended or restated from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units or similar events having an effect on a Partner's ownership of Partnership Units.

4.02 Additional Capital Contributions and Issuances of Additional Partnership Units. Except as provided in this Section 4.02 or in Section 4.03 hereof, the Partners shall have no right or obligation to make any additional Capital Contributions or loans to the Partnership. The General Partner may contribute additional capital to the Partnership, from time to time, and receive additional Partnership Interests, in the form of Partnership Units, in respect thereof, in the manner contemplated in this Section 4.02.

(a) Issuances of Additional Partnership Units.

(i) General. As of the effective date of this Agreement, the Partnership shall have authorized two classes of Partnership Units, entitled "Common Units" and "LTIP Units." The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose at any time or from time to time to the Partners (including the General Partner) or to other Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partners. The General Partner's determination that consideration is adequate shall be conclusive insofar as the adequacy of consideration relates to whether the Partnership Units are validly issued and fully paid. Any additional Partnership Units issued thereby may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to the then-outstanding Partnership Units held by the Limited Partners, all as shall be determined by the General Partner in its sole and absolute discretion and without the approval of any Limited Partner, subject to Virginia law that cannot be preempted by the terms hereof and as set forth in a written document hereafter attached

to and made an exhibit to this Agreement (each, a "**Partnership Unit Designation**"), which document shall include, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Units; (ii) the right of each such class or series of Partnership Units to share in Partnership distributions; and (iii) the rights of each such class or series of Partnership Units upon dissolution and liquidation of the Partnership; provided, however, that no additional Partnership Units shall be issued to the General Partner (or any direct or indirect wholly-owned Subsidiary of the General Partner) unless:

(1) (A) the additional Partnership Units are issued in connection with an issuance of REIT Shares or other capital stock of, or other interests in, the General Partner, which REIT Shares, capital stock or other interests have designations, preferences and other rights, all such that the economic interests are substantially similar to the designations, preferences and other rights of the additional Partnership Units issued to the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) by the Partnership in accordance with this Section 4.02 and (B) the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) shall make a Capital Contribution to the Partnership in an amount equal to the cash consideration received by the General Partner, if any, from such grant, award or issuance of such REIT Shares, capital stock or other interests in the General Partner;

(2) (A) the additional Partnership Units are issued in connection with a grant award or issuance of REIT Shares or other capital stock of, or other interests in, the General Partner pursuant to a taxable share dividend declared by the General Partner, which REIT Shares, capital stock or interests have designations, preferences and other rights, all such that the economic interests are substantially similar to the designations, preferences and other rights of the additional Partnership Units issued to the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) by the Partnership in accordance with this Section 4.02, (B) if the General Partner allows the holders of its REIT Shares to elect whether to receive such dividend in REIT Shares or other capital stock of, or other interests in, the General Partner, or cash, the Partnership will give the Limited Partners (excluding the General Partner or any direct or indirect Subsidiary of the General Partner) the same ability to elect to receive (I) Partnership Units or cash or, (II) at the election of the General Partner, REIT Shares, capital stock or other interests in the General Partner or cash, and (C) if the Partnership issues additional Partnership Units pursuant to this Section 4.02(a)(i)(2), then an amount of income equal to the value of the Partnership Units received will be allocated to those holders of Common Units that elect to receive additional Partnership Units;

(3) the additional Partnership Units are issued in exchange for property owned by the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) with a fair market value, as determined by the General Partner, in good faith, equal to the value of the Partnership Units; or

(4) Common Units are issued to all Partners owning Common Units or LTIP Units in proportion to their respective Percentage Interests.

Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units for less than fair market value, so long as the General Partner concludes in good faith that such issuance is in the interests of the Partnership. Upon the issuance of any additional Partnership Units, the General Partner shall amend Exhibit A as appropriate to reflect such issuance.

(ii) Upon Issuance of Additional Securities. The General Partner shall not issue any Additional Securities (other than REIT Shares issued in connection with an exchange pursuant to Section 8.04 hereof or REIT Shares or other capital stock of or other interests in the General Partner issued in connection with a taxable stock dividend as described in Section 4.02(a)(i)(2) hereof) or Rights other than to all holders of REIT Shares, Preferred Shares, Junior Shares, or New Securities, as the case may be, unless (A) the General Partner shall cause the Partnership to issue to the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) Partnership Units or Rights having designations, preferences and other rights, all such that the economic interests are substantially similar to those of the Additional Securities, and (B) the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) contributes the proceeds from the issuance of such Additional Securities and from any exercise of Rights contained in such Additional Securities to the Partnership; provided, however, that the General Partner is allowed to issue Additional Securities in connection with an acquisition of Property to be held directly by the General Partner, but if and only if, such direct acquisition and issuance of Additional Securities have been approved by a majority of the Independent Directors. Without limiting the foregoing, the General Partner is expressly authorized to issue Additional Securities for less than fair market value, and the General Partner is authorized to cause the Partnership to issue to the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) corresponding Partnership Units, so long as (x) the General Partner concludes in good faith that such issuance is in the best interests of the General Partner and the Partnership and (y) the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) contributes all proceeds from such issuance to the Partnership, including without limitation, the issuance of REIT Shares and corresponding Partnership Units pursuant to a stock purchase plan providing for purchases of REIT Shares at a discount from fair market value or pursuant to stock awards, including stock options that have an exercise price that is less than the fair market value of the REIT Shares, either at the time of issuance or at the time of exercise, and restricted or other stock awards approved by the Board of Directors. For example, in the event the General Partner issues REIT Shares for a cash purchase price and the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) contributes all of the proceeds of such issuance to the Partnership as required hereunder, the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) shall be issued a number of additional Partnership Units equal to the product of (A) the number of such REIT Shares issued by the General Partner, the proceeds of which were so contributed, multiplied by (B) a fraction, the numerator of which is 100%, and the denominator of which is the Conversion Factor in effect on the date of such contribution.

(b) Certain Contributions of Proceeds of Issuance of REIT Shares. In connection with any and all issuances of REIT Shares, the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) shall make Capital Contributions to the Partnership of the proceeds therefrom (if any), provided that if the proceeds actually received and contributed by the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) are less than the gross proceeds of such issuance as a result of any underwriter's discount, commissions,

placement fees or other expenses paid or incurred in connection with such issuance, then the General Partner (or any direct or indirect wholly owned Subsidiary of the General Partner) shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the net proceeds of such issuance plus the amount of such underwriter's discount, commissions, placement fees or other expenses paid by the General Partner, and the Partnership shall be deemed simultaneously to have reimbursed such discount, commissions, placement fees and expenses as an Administrative Expense for the benefit of the Partnership for purposes of Section 6.05(b).

(c) Repurchases of General Partner Securities. If the General Partner shall repurchase shares of any class or series of its capital stock, the purchase price thereof and all costs incurred in connection with such repurchase shall be reimbursed to the General Partner by the Partnership pursuant to Section 6.05 hereof and the General Partner shall cause the Partnership to redeem an equivalent number of Partnership Units of the appropriate class or series held by the General Partner, or by the General Partner in its capacity as a Limited Partner (which, in the case of REIT Shares, shall be a number equal to the quotient of the number of such REIT Shares divided by the Conversion Factor).

4.03 Additional Funding. If the General Partner determines that it is in the best interests of the Partnership to provide for additional Partnership funds ("**Additional Funds**") for any Partnership purpose, the General Partner may (i) cause the Partnership to obtain such funds from outside borrowings, or (ii) elect to have the General Partner or any of its Affiliates provide such Additional Funds to the Partnership through loans or otherwise.

4.04 LTIP Units.

(a) Issuance of LTIP Units. Notwithstanding anything contained herein to the contrary, the General Partner may from time to time issue LTIP Units to Persons who provide services to the Partnership or the General Partner, for such consideration as the General Partner may determine to be appropriate, and admit such Persons as Limited Partners. Subject to the following provisions of this Section 4.04 and the special provisions of Sections 4.05 and 5.01(g) hereof, LTIP Units shall be treated as Common Units, with all of the rights, privileges and obligations attendant thereto. For purposes of computing the Partners' Percentage Interests, holders of LTIP Units shall be treated as Common Unit holders and LTIP Units shall be treated as Common Units. In particular, the Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Common Units for conversion, distribution and other purposes, including, without limitation, complying with the following procedures:

(i) If an Adjustment Event (as defined below) occurs, then the General Partner shall make a corresponding adjustment to the LTIP Units to maintain a one-for-one conversion and economic equivalence ratio between Common Units and LTIP Units. The following shall be "**Adjustment Events**": (A) the Partnership makes a distribution on all outstanding Common Units in the form of Partnership Units, (B) the Partnership subdivides the outstanding Common Units into a greater number of units or combines the outstanding Common Units into a smaller number of units, or (C) the Partnership issues any Partnership Units in exchange for its outstanding Common Units by way of a reclassification or recapitalization of its Common Units. If more than one Adjustment Event occurs, the adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events

occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business Common Unit Transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan or (z) the issuance of any Partnership Units to the General Partner in respect of a capital contribution to the Partnership of proceeds from the sale of Additional Securities by the General Partner. If the Partnership takes an action affecting the Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require an adjustment to the LTIP Units to maintain the one-to-one correspondence described above, the General Partner shall have the right to make such adjustment to the LTIP Units, to the extent permitted by law and by any Equity Incentive Plan and Vesting Agreement, in such manner and at such time as the General Partner, in its sole discretion, may determine to be appropriate under the circumstances. If an adjustment is made to the LTIP Units, as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth such adjustment and a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall deliver a notice to each LTIP Unitholder setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment; provided, however, the failure to deliver such notice shall not invalidate the adjustment or the authority granted hereunder, and

(ii) The LTIP Unitholders shall, when, as and if authorized and declared by the General Partner out of assets legally available for that purpose, be entitled to receive distributions in an amount per LTIP Unit equal to the distributions per Common Unit paid to holders of Common Units on such Partnership Record Date established by the General Partner with respect to such distribution (the "**Common Partnership Unit Distribution**"). So long as any LTIP Units are outstanding, no distributions (whether in cash or in kind) shall be authorized, declared or paid on Common Units, unless equal distributions have been or contemporaneously are authorized, declared and paid on the LTIP Units.

(b) Priority. Subject to the provisions of this Section 4.04, the special provisions of Sections 4.05 and 5.01(g) hereof and any Vesting Agreement, the LTIP Units shall rank *pari passu* with the Common Units as to the payment of regular and special periodic or other distributions and distribution of assets upon liquidation, dissolution or winding up. As to the payment of distributions and as to distribution of assets upon liquidation, dissolution or winding up, any class or series of Partnership Units which by its terms specifies that it shall rank junior to, on a parity with, or senior to the Common Units shall also rank junior to, or *pari passu* with, or senior to, as the case may be, the LTIP Units. Subject to the terms of any Vesting Agreement, an LTIP Unitholder shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as holders of Common Units are entitled to transfer their Common Units pursuant to Article IX.

(c) Special Provisions. LTIP Units shall be subject to the following special provisions:

(i) Vesting Agreements. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of a Vesting Agreement. The terms of any Vesting Agreement may be modified by the

General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Equity Incentive Plan, if applicable. LTIP Units that have vested under the terms of a Vesting Agreement are referred to as "**Vested LTIP Units**"; all other LTIP Units shall be treated as "**Unvested LTIP Units**."

(ii) Forfeiture. Unless otherwise specified in the Vesting Agreement, upon the occurrence of any event specified in a Vesting Agreement resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or forfeiture occurs in accordance with the applicable Vesting Agreement, the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the Vesting Agreement, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date prior to the effective date of the forfeiture. In connection with any repurchase or forfeiture of LTIP Units, the balance of the portion of the Capital Account of the LTIP Unitholder that is attributable to all of such LTIP Unitholder's LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 5.01(g) hereof, calculated with respect to the LTIP Unitholder's remaining LTIP Units, if any.

(iii) Allocations. LTIP Unitholders shall be entitled to certain special allocations of gain under Section 5.01(g) hereof.

(iv) Redemption. The Common Unit Redemption Right provided to Limited Partners under Section 8.04 hereof shall not apply with respect to LTIP Units unless and until they are converted to Common Units as provided in clause (v) below and Section 4.05 hereof.

(v) Conversion to Common Units. Vested LTIP Units are eligible to be converted into Common Units in accordance with Section 4.05 hereof.

(d) Voting. LTIP Unitholders shall (a) have the same voting rights as the holders of Common Units, with all Vested LTIP Units and Unvested LTIP Units voting as a single class with the Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below. So long as any LTIP Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of a majority of the LTIP Units (Vested LTIP Units and Unvested LTIP Units) outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of this Agreement applicable to LTIP Units so as to materially and adversely affect (as determined in good faith by the General Partner) any right, privilege or voting power of the LTIP Units or the LTIP Unitholders as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the holders of Common Units; but subject, in any event, to the following provisions:

(i) With respect to any Common Unit Transaction (as defined in Section 4.05(f) hereof), so long as the LTIP Units are treated in accordance with Section 4.05(f) hereof, the consummation of such Common Unit Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unitholders as such; and

(ii) Any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Common Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unitholders as such.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted into Common Units.

4.05 Conversion of LTIP Units.

(a) Subject to the provisions of this Section 4.05, an LTIP Unitholder shall have the right (the "**Conversion Right**"), at such holder's option, at any time to convert all or a portion of such holder's Vested LTIP Units into Common Units; provided, however, that a holder may not exercise the Conversion Right for less than 1,000 Vested LTIP Units or, if such holder holds less than 1,000 Vested LTIP Units, all of the Vested LTIP Units held by such holder. LTIP Unitholders shall not have the right to convert Unvested LTIP Units into Common Units until they become Vested LTIP Units; provided, however, that when an LTIP Unitholder is notified of the expected occurrence of an event that will cause such LTIP Unitholder's Unvested LTIP Units to become Vested LTIP Units, such LTIP Unitholder may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the LTIP Unitholder, shall be accepted by the Partnership subject to such condition. The General Partner shall have the right at any time to cause a conversion of Vested LTIP Units into Common Units. In all cases, the conversion of any LTIP Units into Common Units shall be subject to the conditions and procedures set forth in this Section 4.05.

(b) A holder of Vested LTIP Units may convert such LTIP Units into an equal number of fully paid and non-assessable Common Units, giving effect to all adjustments (if any) made pursuant to Section 4.04 hereof. Notwithstanding the foregoing, in no event may a holder of Vested LTIP Units convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to its ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "**Capital Account Limitation**").

In order to exercise the Conversion Right, an LTIP Unitholder shall deliver a notice (a "**Conversion Notice**") in the form attached as Exhibit D hereto to the Partnership (with a copy to the General Partner) not less than ten nor more than 60 days prior to a date (the "**Conversion Date**") specified in such Conversion Notice; provided, however, that if the General Partner has not given to the LTIP Unitholders notice of a proposed or upcoming Common Unit Transaction (as defined in Section 4.05(f) hereof) at least 30 days prior to the effective date of such Common Unit Transaction, then LTIP Unitholders shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth day after such notice from the General Partner of a Common Unit

Transaction or (y) the third Trading Day immediately preceding the effective date of such Common Unit Transaction. A Conversion Notice shall be provided in the manner provided in Section 12.01 hereof. Each LTIP Unitholder covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 4.05(b) shall be free and clear of all liens, claims and encumbrances. Notwithstanding anything herein to the contrary, a holder of LTIP Units may deliver a Notice of Redemption pursuant to Section 8.04(a) hereof relating to those Common Units that will be issued to such holder upon conversion of such LTIP Units into Common Units in advance of the Conversion Date; provided, however, that the redemption of such Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put an LTIP Unitholder in a position where, if such holder so wishes, the Common Units into which such holder's Vested LTIP Units will be converted can be tendered to the Partnership for redemption simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Common Units under Section 8.04(b) hereof by delivering to such holder the REIT Shares Amount, then such holder can have the REIT Shares Amount issued to such holder simultaneously with the conversion of such holder's Vested LTIP Units into Common Units. The General Partner and LTIP Unitholder shall reasonably cooperate with each other to coordinate the timing of the events described in the foregoing sentence.

(c) The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units held by an LTIP Unitholder to be converted (a "**Forced Conversion**") into an equal number of Common Units, giving effect to all adjustments (if any) made pursuant to Section 4.04 hereof; provided, however, that the Partnership may not cause Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of such LTIP Unitholder pursuant to Section 4.05(b) hereof. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "**Forced Conversion Notice**") in the form attached as Exhibit E hereto to the applicable LTIP Unitholder not less than ten nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 12.01 hereof and shall be revocable by the General Partner at any time prior to the Forced Conversion.

(d) A conversion of Vested LTIP Units for which the holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such LTIP Unitholder, as of which time such LTIP Unitholder shall be credited on the books and records of the Partnership with the issuance as of the opening of business on the next day of the number of Common Units issuable upon such conversion. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such LTIP Unitholder, upon his or her written request, a certificate of the General Partner certifying the number of Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article IX hereof may exercise the rights of such Limited Partner pursuant to this Section 4.05 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

(e) For purposes of making future allocations under Section 5.01(g) hereof and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable LTIP Unitholder that is treated as attributable to his or her LTIP Units shall be reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

(f) If the Partnership or the General Partner shall be a party to any Common Unit Transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any Common Unit Transaction which constitutes an Adjustment Event) in each case as a result of which Common Units shall be exchanged for or converted into the right, or the holders of Common Units shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "**Common Unit Transaction**"), then the General Partner shall, subject to the terms of any applicable Equity Incentive Plan or Vesting Agreement, exercise immediately prior to the Common Unit Transaction its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Common Unit Transaction or that would occur in connection with the Common Unit Transaction if the assets of the Partnership were sold at the Common Unit Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Units in the context of the Common Unit Transaction (in which case the Conversion Date shall be the effective date of the Common Unit Transaction).

In anticipation of such Forced Conversion and the consummation of the Common Unit Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unitholder to be afforded the right to receive in connection with such Common Unit Transaction in consideration for the Common Units into which such LTIP Unitholder's LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Common Unit Transaction by a holder of the same number of Common Units, assuming such holder of Common Units is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "**Constituent Person**"), or an affiliate of a Constituent Person. In the event that holders of Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Common Unit Transaction, prior to such Common Unit Transaction, the General Partner shall give prompt written notice to each LTIP Unitholder of such election, and shall use commercially reasonable efforts to afford the LTIP Unitholders the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such holder into Common Units in connection with such Common Unit Transaction. If an LTIP Unitholder fails to make such an election, such holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by such LTIP Unitholder (or by any of such LTIP Unitholder's transferees) the same kind and amount of consideration that a holder of a Common Unit would receive if such Common Unit holder failed to make such an election.

Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and any Equity Incentive Plan, the Partnership shall use commercially reasonable efforts to cause the terms of any Common Unit Transaction to be consistent with the provisions of this Section 4.05(f) and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unitholders whose LTIP Units will not be converted into

Common Units in connection with the Common Unit Transaction that will (i) contain provisions enabling the holders of LTIP Units that remain outstanding after such Common Unit Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in this Agreement for the benefit of the LTIP Unitholders.

4.06 Capital Accounts. A separate capital account (a "**Capital Account**") shall be established and maintained for each Partner in accordance with Regulations Section 1.704-1(b)(2)(iv). If (i) a new or existing Partner acquires an additional Partnership Interest in exchange for more than a *de minimis* Capital Contribution, (ii) the Partnership distributes to a Partner more than a *de minimis* amount of Partnership property as consideration for a Partnership Interest, (iii) the Partnership is liquidated within the meaning of Regulation Section 1.704-1(b)(2)(ii)(g) or (iv) the Partnership grants a Partnership Interest (other than a *de minimis* Partnership Interest) as consideration for the provision of services to or for the benefit of the Partnership to an existing Partner acting in a Partner capacity, or to a new Partner acting in a Partner capacity or in anticipation of being a Partner, the General Partner shall revalue the property of the Partnership to its fair market value (as determined by the General Partner, in its sole and absolute discretion, and taking into account Section 7701(g) of the Code) in accordance with Regulations Section 1.704-1(b)(2)(iv)(f); provided that (i) the issuance of any LTIP Unit shall be deemed to require a revaluation pursuant to this Section 4.06 and (ii) the General Partner may elect not to revalue the property of the Partnership in connection with the issuance of additional Partnership Units pursuant to Section 4.02 to the extent in determines, in its sole and absolute discretion, that revaluing the property of the Partnership in not necessary or appropriate to reflect the relative economic interests of the Partners. When the Partnership's property is revalued by the General Partner, the Capital Accounts of the Partners shall be adjusted in accordance with Regulations Sections 1.704-1(b)(2)(iv)(f) and (g), which generally require such Capital Accounts to be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property (that has not been reflected in the Capital Accounts previously) would be allocated among the Partners pursuant to Section 5.01 hereof if there were a taxable disposition of such property for its fair market value (as determined by the General Partner, in its sole and absolute discretion, and taking into account Section 7701(g) of the Code) on the date of the revaluation.

4.07 Percentage Interests. If the number of outstanding Common Units or LTIP Units increases or decreases during a taxable year, each Partner's Percentage Interest shall be adjusted by the General Partner effective as of the effective date of each such increase or decrease to a percentage equal to the number of Common Units or LTIP Units held by such Partner divided by the aggregate number of Common Units and LTIP Units outstanding after giving effect to such increase or decrease. If the Partners' Percentage Interests are adjusted pursuant to this Section 4.07, the Profits and Losses for the taxable year in which the adjustment occurs shall be allocated between the part of the year ending on the day when the Partnership's property is revalued by the General Partner and the part of the year beginning on the following day either (i) as if the taxable year had ended on the date of the adjustment or (ii) based on the number of days in each part. The General Partner, in its sole and absolute discretion, shall determine which method shall be used to allocate Profits and Losses for the taxable year in which the adjustment occurs. The allocation of Profits and Losses for the earlier part of the year shall be based on the Percentage Interests before adjustment, and the allocation of Profits and Losses for the later part shall be based on the adjusted Percentage Interests.

4.08 No Interest on Contributions. No Partner shall be entitled to interest on its Capital Contribution.

4.09 Return of Capital Contributions. No Partner shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distribution from the Partnership, except as specifically provided in this Agreement. Except as otherwise provided herein, there shall be no obligation to return to any Partner or withdrawn Partner any part of such Partner's Capital Contribution for so long as the Partnership continues in existence.

4.10 No Third-Party Beneficiary. No creditor or other third party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans or to pursue any other right or remedy hereunder or at law or in equity, it being understood and agreed that the provisions of this Agreement, except as provided in Section 6.03(h), shall be solely for the benefit of, and may be enforced solely by, the parties to this Agreement and their respective successors and assigns. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or of any of the Partners. In addition, it is the intent of the parties hereto that no distribution to any Limited Partner shall be deemed a return of money or other property in violation of the Act. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Limited Partner is obligated to return such money or property, such obligation shall be the obligation of such Limited Partner and not of the General Partner. Without limiting the generality of the foregoing, a deficit Capital Account of a Partner shall not be deemed to be a liability of such Partner nor an asset or property of the Partnership.

ARTICLE V

PROFITS AND LOSSES; DISTRIBUTIONS

5.01 Allocation of Profit and Loss.

(a) Profit. Profit of the Partnership for each fiscal year of the Partnership shall be allocated to the Partners in accordance with their respective Percentage Interests.

(b) Loss. Loss of the Partnership for each fiscal year of the Partnership shall be allocated to the Partners in accordance with their respective Percentage Interests.

(c) Minimum Gain Chargeback. Notwithstanding any provision to the contrary, (i) any expense of the Partnership that is a "nonrecourse deduction" within the meaning of Regulations Section 1.704-2(b)(1) shall be allocated in accordance with the Partners' respective Percentage Interests, (ii) any expense of the Partnership that is a "partner nonrecourse deduction" within the meaning of Regulations Section 1.704-2(i)(2) shall be allocated to the Partner that bears the "economic risk of loss" of such deduction in accordance with Regulations Section 1.704-2(i)(1),

(iii) if there is a net decrease in Partnership Minimum Gain within the meaning of Regulations Section 1.704-2(f)(1) for any Partnership taxable year, then, subject to the exceptions set forth in Regulations Section 1.704-2(f)(2),(3), (4) and (5), items of gain and income shall be allocated among the Partners in accordance with Regulations Section 1.704-2(f) and the ordering rules contained in Regulations Section 1.704-2(j), and (iv) if there is a net decrease in Partner Nonrecourse Debt Minimum Gain within the meaning of Regulations Section 1.704-2(i)(4) for any Partnership taxable year, then, subject to the exceptions set forth in Regulations Section 1.704(2)(g), items of gain and income shall be allocated among the Partners in accordance with Regulations Section 1.704-2(i)(4) and the ordering rules contained in Regulations Section 1.704-2(j). The manner in which it is reasonably expected that the deductions attributable to nonrecourse liabilities will be allocated for purposes of determining a Partner's share of the nonrecourse liabilities of the Partnership within the meaning of Regulations Section 1.752-3(a)(3) shall be in accordance with a Partner's Percentage Interest.

(d) Qualified Income Offset. If a Partner receives in any taxable year an adjustment, allocation or distribution described in subparagraphs (4), (5) or (6) of Regulations Section 1.704-1(b)(2)(ii)(d) that causes or increases a deficit balance in such Partner's Capital Account that exceeds the sum of such Partner's shares of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain, as determined in accordance with Regulations Sections 1.704-2(g) and 1.704-2(i), such Partner shall be allocated specially for such taxable year (and, if necessary, later taxable years) items of income and gain in an amount and manner sufficient to eliminate such deficit Capital Account balance as quickly as possible as provided in Regulations Section 1.704-1(b)(2)(ii)(d). After the occurrence of an allocation of income or gain to a Partner in accordance with this Section 5.01(d), to the extent permitted by Regulations Section 1.704-1(b), items of expense or loss shall be allocated to such Partner in an amount necessary to offset the income or gain previously allocated to such Partner under this Section 5.01(d).

(e) Capital Account Deficits. Loss shall not be allocated to a Limited Partner to the extent that such allocation would cause a deficit in such Partner's Capital Account (after reduction to reflect the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6)) to exceed the sum of such Partner's shares of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain. Any Loss in excess of that limitation shall be allocated to the General Partner. After the occurrence of an allocation of Loss to the General Partner in accordance with this Section 5.01(e), to the extent permitted by Regulations Section 1.704-1(b), Profit first shall be allocated to the General Partner in an amount necessary to offset the Loss previously allocated to the General Partner under this Section 5.01(e).

(f) Allocations Between Transferor and Transferee. If a Partner transfers any part or all of its Partnership Interest, the distributive shares of the various items of Profit and Loss allocable among the Partners during such fiscal year of the Partnership shall be allocated between the transferor and the transferee Partner either (i) as if the Partnership's fiscal year had ended on the date of the transfer or (ii) based on the number of days of such fiscal year that each was a Partner without regard to the results of Partnership activities in the respective portions of such fiscal year in which the transferor and the transferee were Partners. The General Partner, in its sole and absolute discretion, shall determine which method shall be used to allocate the distributive shares of the various items of Profit and Loss between the transferor and the transferee Partner.

(g) Special Allocations Regarding LTIP Units. Notwithstanding the provisions of Sections 5.01(a) and (b) hereof, Liquidating Gains shall first be allocated to the LTIP Unitholders until their Economic Capital Account Balances, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. For this purpose, "**Liquidating Gains**" means net capital gains realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership, including but not limited to net capital gain realized in connection with an adjustment to the value of Partnership assets under Section 704(b) of the Code. The "**Economic Capital Account Balances**" of the LTIP Unit holders will be equal to their Capital Account balances to the extent attributable to their ownership of LTIP Units. Similarly, the "**Common Unit Economic Balance**" shall mean (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Nonrecourse Debt Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under this Section 5.01(g), divided by (ii) the number of the General Partner's Common Units. Any such allocations shall be made among the LTIP Unitholders in proportion to the amounts required to be allocated to each under this Section 5.01(g). The parties agree that the intent of this Section 5.01(g) is to make the Capital Account balance associated with each LTIP Unit to be economically equivalent to the Capital Account balance associated with the General Partner's Common Units (on a per-Unit basis).

(h) Definition of Profit and Loss. "**Profit**" and "**Loss**" and any items of income, gain, expense or loss referred to in this Agreement shall be determined in accordance with federal income tax accounting principles, as modified by Regulations Section 1.704-1(b)(2)(iv), except that Profit and Loss shall not include items of income, gain and expense that are specially allocated pursuant to Sections 5.01(c), (d) or (e) hereof. All allocations of income, Profit, gain, Loss and expense (and all items contained therein) for federal income tax purposes shall be identical to all allocations of such items set forth in this Section 5.01, except as otherwise required by Section 704(c) of the Code and Regulations Section 1.704-1(b)(4). With respect to properties acquired by the Partnership, the General Partner shall have the authority to elect the method to be used by the Partnership for allocating items of income, gain and expense as required by Section 704(c) of the Code with respect to such properties, and such election shall be binding on all Partners.

(i) Preferred Units. The General Partner shall amend this agreement from time to time to reflect the allocation of profit and loss in connection with priority distributions on any preferred units of limited partnership interest issued by the Partnership.

5.02 Distribution of Cash.

(a) Subject to Sections 5.02(c), (d) and (e) hereof and to the terms of any Partnership Unit Designation, the Partnership shall distribute cash at such times and in such amounts as are determined by the General Partner in its sole and absolute discretion, to the Partners who are Partners on the Partnership Record Date with respect to such quarter (or other distribution period) in proportion with their respective Common Units on the Partnership Record Date.

(b) In accordance with the terms of Section 4.04(a)(ii), the LTIP Unitholders shall be entitled to receive distributions in an amount per LTIP Unit equal to the Common Partnership Unit Distribution.

(c) If a new or existing Partner acquires additional Partnership Units in exchange for a Capital Contribution on any date other than a Partnership Record Date (other than Partnership Units acquired by the General Partner in connection with the issuance of additional REIT Shares or Additional Securities), the cash distribution attributable to such additional Partnership Units relating to the Partnership Record Date next following the issuance of such additional Partnership Units shall be reduced in the proportion to (i) the number of days that such additional Partnership Units are held by such Partner bears to (ii) the number of days between such Partnership Record Date and the immediately preceding Partnership Record Date.

(d) Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to a Partner or assignee (including by reason of Section 1446 of the Code), either (i) if the actual amount to be distributed to the Partner (the "**Distributable Amount**") equals or exceeds the Withheld Amount, the entire Distributable Amount shall be treated as a distribution of cash to such Partner, or (ii) if the Distributable Amount is less than the Withheld Amount, the excess of the Withheld Amount over the Distributable Amount shall be treated as a Partnership Loan from the Partnership to the Partner on the day the Partnership pays over such amount to a taxing authority. A Partnership Loan shall be repaid upon the demand of the Partnership or, alternatively, through withholding by the Partnership with respect to subsequent distributions to the applicable Partner or assignee. In the event that a Limited Partner fails to pay any amount owed to the Partnership with respect to the Partnership Loan within 15 days after demand for payment thereof is made by the Partnership on the Limited Partner, the General Partner, in its sole and absolute discretion, may elect to make the payment to the Partnership on behalf of such Defaulting Limited Partner. In such event, on the date of payment, the General Partner shall be deemed to have extended a General Partner Loan to the Defaulting Limited Partner in the amount of the payment made by the General Partner and shall succeed to all rights and remedies of the Partnership against the Defaulting Limited Partner as to that amount. Without limitation, the General Partner shall have the right to receive any distributions that otherwise would be made by the Partnership to the Defaulting Limited Partner until such time as the General Partner Loan has been paid in full, and any such distributions so received by the General Partner shall be treated as having been received by the Defaulting Limited Partner and immediately paid to the General Partner.

Any amounts treated as a Partnership Loan or a General Partner Loan pursuant to this Section 5.02(d) shall bear interest at the lesser of (i) 300 basis points above the base rate on corporate loans at large United States money center commercial banks, as published from time to time in The Wall Street Journal or, if not so published, in any similar publication, or (ii) the maximum lawful rate of interest on such obligation, such interest to accrue from the date the Partnership or the General Partner, as applicable, is deemed to extend the loan until such loan is repaid in full.

(e) In no event may a Partner receive a distribution of cash with respect to a Partnership Unit if such Partner is entitled to receive a cash dividend or other distribution of cash as the holder of record of a REIT Share for which all or part of such Partnership Unit has been or will be redeemed.

5.03 REIT Distribution Requirements. The General Partner shall use commercially reasonable efforts to cause the Partnership to distribute amounts sufficient to enable the General Partner to pay distributions to its stockholders that will allow the General Partner to (i) meet its distribution requirement for qualification as a REIT as set forth in Section 857 of the Code and (ii) avoid any federal income or excise tax liability imposed by the Code, other than to the extent the General Partner elects to retain and pay income tax on its net capital gain.

5.04 No Right to Distributions in Kind. No Partner shall be entitled to demand property other than cash in connection with any distributions by the Partnership.

5.05 Limitations on Return of Capital Contributions. Notwithstanding any of the provisions of this Article V, no Partner shall have the right to receive, and the General Partner shall not have the right to make, a distribution that includes a return of all or part of a Partner's Capital Contributions, unless after giving effect to the return of a Capital Contribution, the sum of all Partnership liabilities, other than the liabilities to a Partner for the return of his Capital Contribution, does not exceed the fair market value of the Partnership's assets.

5.06 Distributions Upon Liquidation.

(a) Upon liquidation of the Partnership, after payment of, or adequate provision for, debts and obligations of the Partnership, including any Partner loans, any remaining assets of the Partnership shall be distributed to all Partners with positive Capital Accounts in accordance with their respective positive Capital Account balances.

(b) For purposes of Section 5.06(a) hereof, the Capital Account of each Partner shall be determined after all adjustments made in accordance with Sections 5.01 and 5.02 hereof resulting from Partnership operations and from all sales and dispositions of all or any part of the Partnership's assets.

(c) Any distributions pursuant to this Section 5.06 shall be made by the end of the Partnership's taxable year in which the liquidation occurs (or, if later, within 90 days after the date of the liquidation). To the extent deemed advisable by the General Partner, appropriate arrangements (including the use of a liquidating trust) may be made to assure that adequate funds are available to pay any contingent debts or obligations.

5.07 Substantial Economic Effect. It is the intent of the Partners that the allocations of Profit and Loss under this Agreement have substantial economic effect (or be consistent with the Partners' interests in the Partnership in the case of the allocation of losses attributable to nonrecourse debt) within the meaning of Section 704(b) of the Code as interpreted by the Regulations promulgated pursuant thereto. Article V and other relevant provisions of this Agreement shall be interpreted in a manner consistent with such intent.

ARTICLE VI

RIGHTS, OBLIGATIONS AND POWERS OF THE GENERAL PARTNER

6.01 Management of the Partnership.

(a) Except as otherwise expressly provided in this Agreement, the General Partner shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes herein stated, and shall make all decisions affecting the business and assets of the Partnership. Subject to the restrictions specifically contained in this Agreement, the powers of the General Partner shall include, without limitation, the authority to take the following actions on behalf of the Partnership:

(i) acquire, purchase, own, operate, lease and dispose of any real property and any other property or assets including, but not limited to, notes and mortgages that the General Partner determines are necessary or appropriate in the business of the Partnership;

(ii) construct buildings and make other improvements on the properties owned or leased by the Partnership;

(iii) authorize, issue, sell, redeem or otherwise purchase any Partnership Units or any securities of the Partnership (including secured and unsecured debt obligations of the Partnership, debt obligations of the Partnership convertible into any class or series of Partnership Units, or Rights relating to any class or series of Partnership Units);

(iv) borrow or lend money for the Partnership, issue or receive evidences of indebtedness in connection therewith, refinance, increase the amount of, modify, amend or change the terms of, or extend the time for the payment of, any such indebtedness, and secure indebtedness by mortgage, deed of trust, pledge or other lien on the Partnership's assets;

(v) pay, either directly or by reimbursement, all operating costs and general administrative expenses of the Partnership to third parties or to the General Partner or its Affiliates as set forth in this Agreement;

(vi) guarantee or become a co-maker of indebtedness of any Subsidiary of the General Partner or the Partnership, refinance, increase the amount of, modify, amend or change the terms of, or extend the time for the payment of, any such guarantee or indebtedness, and secure such guarantee or indebtedness by mortgage, deed of trust, pledge or other lien on the Partnership's assets;

(vii) use assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with this Agreement, including, without limitation, payment, either directly or by reimbursement, of all operating costs and general and administrative expenses of the General Partner, the Partnership or any Subsidiary of either, to third parties or to the General Partner as set forth in this Agreement;

(viii) lease all or any portion of any of the Partnership's assets, whether or not the terms of such leases extend beyond the termination date of the Partnership and whether or not any

portion of the Partnership's assets so leased are to be occupied by the lessee, or, in turn, subleased in whole or in part to others, for such consideration and on such terms as the General Partner may determine and to further lease property from third parties, including ground leases;

(ix) prosecute, defend, arbitrate or compromise any and all claims or liabilities in favor of or against the Partnership, on such terms and in such manner as the General Partner may determine, and similarly prosecute, settle or defend litigation with respect to the Partners, the Partnership or the Partnership's assets;

(x) file applications, communicate and otherwise deal with any and all governmental agencies having jurisdiction over, or in any way affecting, the Partnership's assets or any other aspect of the Partnership's business;

(xi) make or revoke any election permitted or required of the Partnership by any taxing authority;

(xii) maintain such insurance coverage for public liability, fire and casualty, and any and all other insurance for the protection of the Partnership, for the conservation of Partnership assets, or for any other purpose convenient or beneficial to the Partnership, in such amounts and such types, as it shall determine from time to time;

(xiii) determine whether or not to apply any insurance proceeds for any property to the restoration of such property or to distribute the same;

(xiv) establish one or more divisions of the Partnership, hire and dismiss employees of the Partnership or any division of the Partnership, and retain legal counsel, accountants, consultants, real estate brokers and such other persons as the General Partner may deem necessary or appropriate in connection with the Partnership business and pay therefor such reasonable remuneration as the General Partner may deem reasonable and proper;

(xv) retain other services of any kind or nature in connection with the Partnership's business, and pay therefor such remuneration as the General Partner may deem reasonable and proper;

(xvi) negotiate and conclude agreements on behalf of the Partnership with respect to any of the rights, powers and authority conferred upon the General Partner;

(xvii) maintain accurate accounting records and file all federal, state and local income tax returns on behalf of the Partnership;

(xviii) distribute Partnership cash or other Partnership assets in accordance with this Agreement;

(xix) form or acquire an interest in, and contribute property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, its Subsidiaries and any other Person in which it has an equity interest from time to time);

(xx) establish Partnership reserves for working capital, capital expenditures, contingent liabilities or any other valid Partnership purpose;

(xxi) merge, consolidate or combine the Partnership with or into another Person;

(xxii) enter into and perform obligations under underwriting or other agreements in connection with issuances of securities by the Partnership or the General Partner or any affiliate thereof;

(xxiii) do any and all acts and things necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" taxable as a corporation under Section 7704 of the Code or an "investment company" or a subsidiary of an investment company under the Investment Company Act of 1940; and

(xxiv) take such other action, execute, acknowledge, swear to or deliver such other documents and instruments, and perform any and all other acts that the General Partner deems necessary or appropriate for the formation, continuation and conduct of the business and affairs of the Partnership (including, without limitation, all actions consistent with allowing the General Partner at all times to qualify as a REIT unless the General Partner voluntarily terminates or revokes its REIT status) and to possess and enjoy all of the rights and powers of a general partner as provided by the Act.

(b) Except as otherwise provided herein, to the extent the duties of the General Partner require expenditures of funds to be paid to third parties, the General Partner shall not have any obligations hereunder except to the extent that Partnership funds are reasonably available to it for the performance of such duties, and nothing herein contained shall be deemed to authorize or require the General Partner, in its capacity as such, to expend its individual funds for payment to third parties or to undertake any individual liability or obligation on behalf of the Partnership.

6.02 Delegation of Authority. The General Partner may delegate any or all of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of the General Partner, perform any acts or services for the Partnership as the General Partner may approve.

6.03 Indemnification and Exculpation of Indemnitees.

(a) The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the Indemnitee actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The termination of any proceeding by judgment, order or settlement does

not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 6.03(a). The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 6.03(a). Any indemnification pursuant to this Section 6.03 shall be made only out of the assets of the Partnership.

(b) The Partnership shall reimburse an Indemnitee for reasonable expenses incurred by an Indemnitee who is a party to a proceeding in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 6.03 has been met, and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

(c) The indemnification provided by this Section 6.03 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity.

(d) The Partnership may purchase and maintain insurance, as an expense of the Partnership, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 6.03, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by the Indemnitee of its duties to the Partnership also imposes duties on, or otherwise involves services by, the Indemnitee to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of this Section 6.03; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by the Indemnitee to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is not opposed to the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.03 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.03 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) Any amendment, modification or repeal of this Section 6.03 or any provision hereof shall be prospective only and shall not in any way affect the indemnification of an Indemnitee by the Partnership under this Section 6.03 as in effect immediately prior to such amendment, modification or repeal with respect to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when claims relating to such matters may arise or be asserted.

6.04 Liability of the General Partner.

(a) Notwithstanding anything to the contrary set forth in this Agreement, neither the General Partner, nor any of its directors, officers, agents or employees shall be liable for monetary damages to the Partnership or any Partners for losses sustained or liabilities incurred as a result of errors in judgment or mistakes of fact or law or of any act or omission if any such party acted in good faith. The General Partner shall not be in breach of any duty that the General Partner may owe to the Limited Partners or the Partnership or any other Persons under this Agreement or of any duty stated or implied by law or equity provided the General Partner, acting in good faith, abides by the terms of this Agreement.

(b) The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership, the Limited Partners and the General Partner's stockholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or the tax consequences of some, but not all, of the Limited Partners) in deciding whether to cause the Partnership to take (or decline to take) any actions. In the event of a conflict between the interests of the stockholders of the General Partner on the one hand and the Limited Partners on the other, the General Partner shall endeavor in good faith to resolve the conflict in a manner not adverse to either the stockholders of the General Partner or the Limited Partners; provided, however, that for so long as the General Partner owns a controlling interest in the Partnership, any such conflict that the General Partner, in its sole and absolute discretion, determines cannot be resolved in a manner not adverse to either the stockholders of the General Partner or the Limited Partners shall be resolved in favor of the stockholders of the General Partner. The General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Limited Partners in connection with such decisions.

(c) Subject to its obligations and duties as General Partner set forth in Section 6.01 hereof, the General Partner may exercise any of the powers granted to it under this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith.

(d) Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT or (ii) to prevent the General Partner from incurring any taxes under Section 857, Section 4981 or any other provision of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

(e) Any amendment, modification or repeal of this Section 6.04 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's or any of its officers', directors', agents' or employees' liability to the Partnership and the Limited Partners under this Section 6.04 as in effect immediately prior to such amendment, modification or repeal with respect to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when claims relating to such matters may arise or be asserted.

6.05 Partnership Obligations.

(a) Except as provided in this Section 6.05 and elsewhere in this Agreement (including the provisions of Articles V and VI hereof regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

(b) All Administrative Expenses shall be obligations of the Partnership, and the General Partner shall be entitled to reimbursement by the Partnership for any expenditure (including Administrative Expenses) incurred by it on behalf of the Partnership that shall be made other than out of the funds of the Partnership. All reimbursements hereunder shall be characterized for federal income tax purposes as expenses of the Partnership incurred on its behalf, and not as expenses of the General Partner.

6.06 Outside Activities. Subject to Section 6.08 hereof, the Articles and any agreements entered into by the General Partner or its Affiliates with the Partnership or a Subsidiary, any officer, director, employee, agent, trustee, Affiliate or stockholder of the General Partner, the General Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities substantially similar or identical to those of the Partnership. Neither the Partnership nor any of the Limited Partners shall have any rights by virtue of this Agreement in any such business ventures, interest or activities. None of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any such business ventures, interests or activities, and the General Partner shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures, interests and activities to the Partnership or any Limited Partner, even if such opportunity is of a character that, if presented to the Partnership or any Limited Partner, could be taken by such Person.

6.07 Employment or Retention of Affiliates.

(a) Any Affiliate of the General Partner may be employed or retained by the Partnership and may otherwise deal with the Partnership (whether as a buyer, lessor, lessee, manager, furnisher of goods or services, broker, agent, lender or otherwise) and may receive from the Partnership any compensation, price or other payment therefor that the General Partner determines to be fair and reasonable.

(b) The Partnership may lend or contribute to its Subsidiaries or other Persons in which it has an equity investment, and such Persons may borrow funds from the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Subsidiary or any other Person.

(c) The Partnership may transfer assets to joint ventures, other partnerships, corporations or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as the General Partner deems are consistent with this Agreement and applicable law.

6.08 General Partner Activities. The General Partner agrees that, generally, all business activities of the General Partner, including activities pertaining to the acquisition, development, ownership of or investment in real property or other property, shall be conducted through the Partnership or one or more Subsidiaries of the Partnership; provided, however, that the General Partner may make direct acquisitions or undertake business activities if such acquisitions or activities are made in connection with the issuance of Additional Securities by the General Partner or the business activity has been approved by a majority of the Independent Directors. If, at any time, the General Partner acquires material assets (other than Partnership Units or other assets on behalf of the Partnership) without transferring such assets to the Partnership, the definition of "REIT Shares Amount" may be adjusted, as reasonably determined by the General Partner, to reflect only the fair market value of a REIT Share attributable to the General Partner's Partnership Units and other assets held on behalf of the Partnership.

6.09 Title to Partnership Assets. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its commercially reasonable efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

ARTICLE VII

CHANGES IN GENERAL PARTNER

7.01 Transfer of the General Partner's Partnership Interest.

(a) The General Partner shall not transfer all or any portion of its General Partnership Interests, and the General Partner shall not withdraw as General Partner, except as provided in or in connection with a transaction contemplated by Sections 7.01(c), (d) or (e) hereof.

(b) The General Partner agrees that its General Partnership Interest will at all times be in the aggregate at least 0.1%.

(c) Except as otherwise provided in Section 7.01(d) or (e) hereof, the General Partner shall not engage in any merger, consolidation or other combination with or into another Person or

sale of all or substantially all of its assets (other than in connection with a change in the General Partner's state of incorporation or organizational form), in each case which results in a Change of Control of the General Partner (a "**Transaction**"), unless at least one of the following conditions is met:

(i) the consent of a Majority in Interest (excluding, for purposes of determining a Majority in Interest, Partnership Interests held by the General Partner or any Subsidiary of the General Partner) is obtained;

(ii) as a result of such Transaction, all Limited Partners (other than the General Partner and any Subsidiary of the General Partner, and, in the case of LTIP Unitholders, subject to the terms of any applicable Equity Incentive Plan or Vesting Agreement) will receive, or have the right to receive, for each Partnership Unit an amount of cash, securities or other property equal or substantially equivalent in value, as determined by the General Partner in good faith, to the product of the Conversion Factor and the greatest amount of cash, securities or other property paid in the Transaction to a holder of one REIT Share in consideration of one REIT Share, provided that if, in connection with such Transaction, a purchase, tender or exchange offer ("**Offer**") shall have been made to and accepted by the holders of more than 50% of the outstanding REIT Shares, each holder of Partnership Units (other than the General Partner and any Subsidiary of the General Partner) shall be given the option to exchange its Partnership Units for an amount of cash, securities or other property equal or substantially equivalent in value, as determined by the General Partner in good faith, to the greatest amount of cash, securities or other property that such Limited Partner would have received had it (A) exercised its Common Unit Redemption Right pursuant to Section 8.04 hereof and (B) sold, tendered or exchanged pursuant to the Offer the REIT Shares Amount that would be receivable upon exercise of the Common Unit Redemption Right immediately prior to the expiration of the Offer; or

(iii) the General Partner is the surviving entity in the Transaction and either (A) the holders of REIT Shares do not receive cash, securities or other property in the Transaction or (B) all Limited Partners (other than the General Partner or any Subsidiary of the General Partner, and, in the case of LTIP Unitholders, subject to the terms of any applicable Equity Incentive Plan or Vesting Agreement) receive for each Partnership Unit an amount of cash, securities or other property equal or substantially equivalent in value, as determined by the General Partner in good faith, to the product of the Conversion Factor and the greatest amount of cash, securities or other property (expressed as an amount per REIT Share) received in the Transaction by any holder of REIT Shares in respect of such holder's REIT Shares.

(d) Notwithstanding Section 7.01(c) hereof, the General Partner may merge with or into or consolidate with another entity if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity (the "**Survivor**"), other than Partnership Units held by the General Partner, are contributed, directly or indirectly, to the Partnership as a Capital Contribution in exchange for Partnership Units, or for economically equivalent partnership interests issued by a Subsidiary Partnership established at the direction of the Board of Directors, with a fair market value equal to the value of the assets so contributed as determined by the Survivor in good faith and (ii) the Survivor expressly agrees to assume all obligations of the General Partner hereunder. Upon such contribution and assumption, the Survivor shall have the right and duty to amend this Agreement as set forth in this Section 7.01(d). The

Survivor shall in good faith arrive at a new method for the calculation of the Cash Amount, the REIT Shares Amount and Conversion Factor for a Partnership Unit after any such merger or consolidation so as to approximate the existing method for such calculation as closely as reasonably possible. Such calculation shall take into account, among other things, the kind and amount of securities, cash and other property that was receivable upon such merger or consolidation by a holder of REIT Shares or options, warrants or other rights relating thereto, and which a holder of Partnership Units could have acquired had such Partnership Units been redeemed in exchange for the REIT Shares Amount immediately prior to such merger or consolidation. Such amendment to this Agreement shall provide for adjustment to such method of calculation, which shall be as nearly equivalent as may be practicable to the adjustments provided for with respect to the Conversion Factor. The Survivor also shall in good faith modify the definition of REIT Shares and make such amendments to Section 8.04 hereof so as to approximate the existing rights and obligations set forth in Section 8.04 hereof as closely as reasonably possible. The above provisions of this Section 7.01(d) shall similarly apply to successive mergers or consolidations permitted hereunder.

In respect of any transaction described in the preceding paragraph, the General Partner shall use its commercially reasonable efforts to seek to structure such transaction to avoid causing the Limited Partners (other than the General Partner or any Subsidiary) to recognize a gain for federal income tax purposes by virtue of the occurrence of or their participation in such transaction, provided such efforts are consistent with and subject in all respects to the exercise of the Board of Directors' fiduciary duties to the stockholders of the General Partner under applicable law.

(e) Notwithstanding anything in this Article VII,

(i) The General Partner may transfer all or any portion of its General Partnership Interest to (A) any wholly owned Subsidiary of the General Partner or (B) the owner of all of the ownership interests of the General Partner, and following a transfer of all of its General Partnership Interest, may withdraw as General Partner; and

(ii) the General Partner may engage in a transaction required by law or by the rules of any national securities exchange or over-the-counter interdealer quotation system on which the REIT Shares are listed or traded.

7.02 Admission of a Substitute or Additional General Partner. A Person shall be admitted as a substitute or additional General Partner of the Partnership only if the following terms and conditions are satisfied:

(a) the Person to be admitted as a substitute or additional General Partner shall have accepted and agreed to be bound by all the terms and provisions of this Agreement by executing a counterpart thereof and such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a General Partner, and a certificate evidencing the admission of such Person as a General Partner shall have been filed for recordation and all other actions required by Section 2.05 hereof in connection with such admission shall have been performed;

(b) if the Person to be admitted as a substitute or additional General Partner is a corporation or a partnership, it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of such Person's authority to become a General Partner and to be bound by the terms and provisions of this Agreement; and

(c) counsel for the Partnership shall have rendered an opinion (relying on such opinions from other counsel as may be necessary) that the admission of the Person to be admitted as a substitute or additional General Partner is in conformity with the Act, that none of the actions taken in connection with the admission of such Person as a substitute or additional General Partner will cause (i) the Partnership to be classified other than as a partnership for federal income tax purposes, or (ii) the loss of any Limited Partner's limited liability.

7.03 Effect of Bankruptcy, Withdrawal, Death or Dissolution of General Partner.

(a) Upon the occurrence of an Event of Bankruptcy as to the General Partner (and its removal pursuant to Section 7.04(a) hereof) or the death, withdrawal, removal or dissolution of the General Partner (except that, if the General Partner is on the date of such occurrence a partnership, the withdrawal, death, dissolution, Event of Bankruptcy as to, or removal of a partner in, such partnership shall be deemed not to be a dissolution of the General Partner if the business of the General Partner is continued by the remaining partner or partners), the Partnership shall be dissolved and terminated unless the Partnership is continued pursuant to Section 7.03(b) hereof. The merger of the General Partner with or into any entity that is admitted as a substitute or successor General Partner pursuant to Section 7.02 hereof shall not be deemed to be the withdrawal, dissolution or removal of the General Partner.

(b) Following the occurrence of an Event of Bankruptcy as to the General Partner (and its removal pursuant to Section 7.04(a) hereof) or the death, withdrawal, removal or dissolution of the General Partner (except that, if the General Partner is on the date of such occurrence a partnership, the withdrawal, death, dissolution, Event of Bankruptcy as to, or removal of a partner in, such partnership shall be deemed not to be a dissolution of the General Partner if the business of such General Partner is continued by the remaining partner or partners), the Limited Partners, within 90 days after such occurrence, may elect to continue the business of the Partnership for the balance of the term specified in Section 2.04 hereof by selecting, subject to Section 7.02 hereof and any other provisions of this Agreement, a substitute General Partner by consent of a Majority in Interest. If the Limited Partners elect to continue the business of the Partnership and admit a substitute General Partner, the relationship with the Partners and of any Person who has acquired an interest of a Partner in the Partnership shall be governed by this Agreement.

7.04 Removal of General Partner.

(a) Upon the occurrence of an Event of Bankruptcy as to, or the dissolution of, the General Partner, the General Partner shall be deemed to be removed automatically; provided, however, that if the General Partner is on the date of such occurrence a partnership, the withdrawal, death, dissolution, Event of Bankruptcy as to, or removal of, a partner in such partnership shall be deemed not to be a dissolution of the General Partner if the business of the General Partner is continued by the remaining partner or partners. The Limited Partners may not remove the General Partner, with or without cause.

(b) If the General Partner has been removed pursuant to this Section 7.04 and the Partnership is continued pursuant to Section 7.03 hereof, the General Partner shall promptly transfer and assign its General Partnership Interest in the Partnership to the substitute General Partner approved by a Majority in Interest in accordance with Section 7.03(b) hereof and otherwise be admitted to the Partnership in accordance with Section 7.02 hereof. At the time of assignment, the removed General Partner shall be entitled to receive from the substitute General Partner the fair market value of the General Partnership Interest of such removed General Partner. Such fair market value shall be determined by an appraiser mutually agreed upon by the General Partner and a Majority in Interest (excluding the General Partner and any Subsidiary of the General Partner) within ten days following the removal of the General Partner. In the event that the parties are unable to agree upon an appraiser, the removed General Partner and a Majority in Interest (excluding, for purposes of determining a Majority in Interest, Partnership Interests held by the General Partner and any Subsidiary of the General Partner) each shall select an appraiser. Each such appraiser shall complete an appraisal of the fair market value of the removed General Partner's General Partnership Interest within 30 days of the General Partner's removal, and the fair market value of the removed General Partner's General Partnership Interest shall be the average of the two appraisals; provided, however, that if the higher appraisal exceeds the lower appraisal by more than 20% of the amount of the lower appraisal, the two appraisers, no later than 40 days after the removal of the General Partner, shall select a third appraiser who shall complete an appraisal of the fair market value of the removed General Partner's General Partnership Interest no later than 60 days after the removal of the General Partner. In such case, the fair market value of the removed General Partner's General Partnership Interest shall be the average of the two appraisals closest in dollar value.

(c) The General Partnership Interest of a removed General Partner, during the time after default until transfer under Section 7.04(b) hereof, shall be converted to that of a special Limited Partner; provided, however, such removed General Partner shall not have any rights to participate in the management and affairs of the Partnership, and shall not be entitled to any portion of the income, expense, profit, gain or loss allocations or cash distributions allocable or payable, as the case may be, to the Limited Partners. Instead, such removed General Partner shall receive and be entitled only to retain distributions or allocations of such items that it would have been entitled to receive in its capacity as General Partner, until the transfer is effective pursuant to Section 7.04(b) hereof.

(d) All Partners shall have given and hereby do give such consents, shall take such actions and shall execute such documents as shall be legally necessary and sufficient to effect all the foregoing provisions of this Section 7.04.

ARTICLE VIII

RIGHTS AND OBLIGATIONS OF THE LIMITED PARTNERS

8.01 Management of the Partnership. The Limited Partners shall not participate in the management or control of Partnership business nor shall they transact any business for the Partnership, nor shall they have the power to sign for or bind the Partnership, such powers being vested solely and exclusively in the General Partner. The Limited Partners covenant and agree not to hold themselves out in a manner that could reasonably be considered in contravention of the terms hereof by any third party.

8.02 Power of Attorney. Each Limited Partner by entry into this Agreement through execution, execution by power of attorney or other consent, hereby irrevocably appoints the General Partner its true and lawful attorney-in-fact, who may act for each Limited Partner and in its name, place and stead, and for its use and benefit, to sign, acknowledge, swear to, deliver, file or record, at the appropriate public offices, any and all documents, certificates and instruments (including, without limitation, this Agreement and all amendments or restatements thereof) as may be deemed necessary or desirable by the General Partner to carry out fully the provisions of this Agreement and the Act in accordance with their terms, which power of attorney is coupled with an interest and shall survive the death, dissolution or legal incapacity of the Limited Partner, or the transfer by the Limited Partner of any part or all of its Partnership Interest.

8.03 Limitation on Liability of Limited Partners. No Limited Partner shall be liable for any debts, liabilities, contracts or obligations of the Partnership. A Limited Partner shall be liable to the Partnership only to make payments of its Capital Contribution, if any, as and when due hereunder. After its Capital Contribution is fully paid, no Limited Partner shall, except as otherwise required by the Act, be required to make any further Capital Contributions or other payments or lend any funds to the Partnership.

8.04 Common Unit Redemption Right.

(a) Subject to Sections 8.04(b), (c), (d), (e) and (f) hereof and the provisions of any agreements between the Partnership and one or more Limited Partners with respect to Common Units (including any LTIP Units that are converted into Common Units) held by them, each Limited Partner (other than the General Partner or any Subsidiary of the General Partner, shall have the right (the "**Common Unit Redemption Right**") to require the Partnership to redeem on a Specified Redemption Date all or a portion of the Common Units held by such Limited Partner at a redemption price equal to and in the form of the Common Redemption Amount to be paid by the Partnership, provided that (i) Common Units outstanding as of the Original Date shall have been outstanding for at least one year (or such lesser time as determined by the General Partner in its sole and absolute discretion) and (ii) Common Units issued after the Original Date shall be subject to any restriction agreed to in writing between the Redeeming Limited Partner and the General Partner. The Common Unit Redemption Right shall be exercised pursuant to a Notice of Exercise of Redemption Right in the form attached hereto as Exhibit B delivered to the Partnership (with a copy to the General Partner) by the Limited Partner who is exercising the Common Unit Redemption Right (the "**Redeeming Limited Partner**") and such notice shall be irrevocable unless otherwise agreed upon by the General Partner. In such event, the Partnership shall deliver the Cash Amount to the Redeeming Limited Partner. Notwithstanding the foregoing, the Partnership shall not be obligated to satisfy such Common Unit Redemption Right if the General Partner elects to purchase the Common Units subject to the Notice of Redemption pursuant to Section 8.04(b) hereof. No Limited Partner may deliver more than two Notices of Redemption during each calendar year unless otherwise agreed by the General Partner. A Limited Partner may not exercise the Common Unit Redemption Right for less than one thousand (1,000) Common Units or, if such Limited Partner holds less than one thousand (1,000) Common Units, all of the Common Units held by such Limited Partner. The Redeeming Limited Partner shall have no right, with respect to any Common Units so redeemed, to receive any distribution paid with respect to Common Units if the record date for such distribution is on or after the Specified Redemption Date.

(b) Notwithstanding the provisions of Section 8.04(a) hereof, if a Limited Partner exercises the Common Unit Redemption Right by delivering to the Partnership a Notice of Redemption, then the Partnership may, in its sole and absolute discretion, elect to cause the General Partner to purchase directly and acquire some or all of, and in such event the General Partner agrees to purchase and acquire, such Common Units by paying to the Redeeming Limited Partner either the Cash Amount or the REIT Shares Amount, as elected by the General Partner (in its sole and absolute discretion) on the Specified Redemption Date, whereupon the General Partner shall acquire the Common Units offered for redemption by the Redeeming Limited Partner and shall be treated for all purposes of this Agreement as the owner of such Common Units.

In the event the General Partner purchases Common Units with respect to the exercise of a Common Unit Redemption Right, the Partnership shall have no obligation to pay any amount to the Redeeming Limited Partner with respect to such Redeeming Limited Partner's exercise of such Common Unit Redemption Right, and each of the Redeeming Limited Partner, the Partnership and the General Partner shall treat the transaction between the General Partner and the Redeeming Limited Partner for federal income tax purposes as a sale of the Redeeming Limited Partner's Common Units to the General Partner. Each Redeeming Limited Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of REIT Shares upon exercise of the Common Unit Redemption Right.

Each Redeeming Limited Partner covenants and agrees that all Common Units subject to a Notice of Redemption will be delivered to the Partnership or the General Partner free and clear of all liens, claims and encumbrances whatsoever and should any such liens, claims or encumbrances exist or arise with respect to such Common Units, neither the Partnership nor the General Partner shall be under any obligation to redeem or acquire such Common Units.

(c) Notwithstanding the provisions of Sections 8.04(a) and 8.04(b) hereof, a Limited Partner shall not be entitled to exercise the Common Unit Redemption Right if the delivery of REIT Shares to such Limited Partner on the Specified Redemption Date by the General Partner pursuant to Section 8.04(b) hereof (regardless of whether or not the General Partner would in fact purchase the Common Units pursuant to Section 8.04(b) hereof) would (i) result in such Limited Partner or any other Person (as defined in the Articles) owning, directly or indirectly, REIT Shares in excess of the Stock Ownership Limit or any Excepted Holder Limit (each as defined in the Articles) and calculated in accordance therewith, except as provided in the Articles, (ii) result in REIT Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the General Partner being "closely held" within the meaning of Section 856(h) of the Code, (iv) cause the General Partner to own, actually or constructively, 10% or more of the ownership interests in a tenant (other than a TRS) of the General Partner's, the Partnership's or a Subsidiary Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, (v) otherwise cause the General Partner to fail to qualify as a REIT under the Code, or (vi) cause the acquisition of REIT Shares by such Limited Partner to be "integrated" with any other distribution of REIT Shares or Common Units for purposes of complying with the registration provisions of the Securities Act. The General Partner, in its sole and absolute discretion, may waive the restriction on redemption set forth in this Section 8.04(c).

(d) Any Cash Amount to be paid to a Redeeming Limited Partner pursuant to this Section 8.04 shall be paid on the Specified Redemption Date; provided, however, that the General Partner may elect to cause the Specified Redemption Date to be delayed for up to an additional 90 days to the extent required for the General Partner to cause additional REIT Shares to be issued to provide financing to be used to make such payment of the Cash Amount and may also delay such Specified Redemption Date to the extent necessary to effect compliance with applicable requirements of the law. Any REIT Shares Amount to be paid to a Redeeming Limited Partner pursuant to this Section 8.04 shall be paid on the Specified Redemption Date; provided, however, that the General Partner may elect to cause the Specified Redemption Date to be delayed to the extent necessary to effect compliance with applicable requirements of the law. Notwithstanding the foregoing, the General Partner agrees to use its commercially reasonable efforts to cause the closing of the acquisition of redeemed Common Units hereunder to occur as quickly as reasonably possible.

(e) Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state, local or foreign law that apply upon a Redeeming Limited Partner's exercise of the Common Unit Redemption Right. If a Redeeming Limited Partner believes that it is exempt from such withholding upon the exercise of the Common Unit Redemption Right, such Partner must furnish the General Partner with a FIRPTA Certificate in the form attached hereto as Exhibit C and any similar forms or certificates required to avoid or reduce the withholding under federal, state, local or foreign law or such other form as the General Partner may reasonably request. If the Partnership or the General Partner is required to withhold and pay over to any taxing authority any amount upon a Redeeming Limited Partner's exercise of the Common Unit Redemption Right and if the Common Redemption Amount equals or exceeds the Withheld Amount, the Withheld Amount shall be treated as an amount received by such Partner in redemption of its Common Units. If, however, the Common Redemption Amount is less than the Withheld Amount, the Redeeming Limited Partner shall not receive any portion of the Common Redemption Amount, the Common Redemption Amount shall be treated as an amount received by such Partner in redemption of its Common Units, and the Partner shall contribute the excess of the Withheld Amount over the Common Redemption Amount to the Partnership before the Partnership is required to pay over such excess to a taxing authority.

(f) Notwithstanding any other provision of this Agreement, the General Partner may place appropriate restrictions on the ability of the Limited Partners to exercise their Common Unit Redemption Rights as and if deemed necessary or reasonable to ensure that the Partnership does not constitute a "publicly traded partnership" under Section 7704 of the Code. If and when the General Partner determines that imposing such restrictions is necessary, the General Partner shall give prompt written notice thereof (a "**Restriction Notice**") to each of the Limited Partners, which notice shall be accompanied by a copy of an opinion of counsel to the Partnership that states that, in the opinion of such counsel, restrictions are necessary or reasonable in order to avoid the Partnership being treated as a "publicly traded partnership" under Section 7704 of the Code.

8.05 Registration. Subject to the terms of any agreement between the General Partner and a Limited Partner with respect to Common Units held by such Limited Partner:

(a) Shelf Registration of the REIT Shares. Following the date on which the General Partner becomes eligible to use a registration statement on Form S-3 for the registration of securities under the Securities Act (the "**S-3 Eligible Date**"), the General Partner shall file with the Commission a shelf registration statement under Rule 415 of the Securities Act (the "**Registration Statement**"), or any similar rule that may be adopted by the Commission, covering (i) the issuance of REIT Shares issuable upon redemption of the Common Units held by the Limited Partners as of the date of this Agreement ("**Redemption Shares**") and/or (ii) the resale by the holder of the Redemption Shares. In connection therewith, the General Partner will:

(1) use commercially reasonable efforts to have such Registration Statement declared effective;

(2) register or qualify the Redemption Shares covered by the Registration Statement under the securities or blue sky laws of such jurisdictions within the United States as required by law, and do such other reasonable acts and things as may be required of it to enable such holders to consummate the sale or other disposition in such jurisdictions of the Redemption Shares; provided, however, that the General Partner shall not be required to (i) qualify as a foreign corporation or consent to a general or unlimited service or process in any jurisdictions in which it would not otherwise be required to be qualified or so consent or (ii) qualify as a dealer in securities; and

(3) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission in connection with the Registration Statement.

The General Partner further agrees to supplement or make amendments to the Registration Statement, if required by the rules, regulations or instructions applicable to the registration form utilized by the General Partner or by the Securities Act or rules and regulations thereunder for the Registration Statement. Each Limited Partner agrees to furnish to the General Partner, upon request, such information with respect to the Limited Partner as may be required to complete and file the Registration Statement and to have the Registration Statement declared effective by the SEC.

In connection with and as a condition to the General Partner's obligations with respect to the filing of the Registration Statement pursuant to this Section 8.05, each Limited Partner agrees with the General Partner that:

(w) it will provide in a timely manner to the General Partner such information with respect to the Limited Partner as reasonably required to complete the Registration Statement or as otherwise required to comply with applicable securities laws and regulations;

(x) it will not offer or sell its Redemption Shares until (A) such Redemption Shares have been included in the Registration Statement and (B) it has received notice that the Registration Statement covering such Redemption Shares, or any post-effective amendment thereto, has been declared effective by the Commission, such notice to have been satisfied by the posting by the Commission on *www.sec.gov* of a notice of effectiveness;

(y) if the General Partner determines in its good faith judgment, after consultation with counsel, that the use of the Registration Statement, including any pre- or post-effective amendment thereto, or the use of any prospectus contained in such Registration Statement would require the disclosure of important information that the General Partner has a *bona fide* business purpose for preserving as confidential or the disclosure of which, in the judgment of the General Partner, would impede the General Partner's ability to consummate a significant transaction, upon written notice of such determination by the General Partner (which notice shall be deemed sufficient if given through the issuance of a press release or filing with the Commission and, if such notice is not publicly distributed, the Limited Partner agrees to keep the subject information confidential and acknowledges that such information may constitute material non-public information subject to the applicable restrictions under securities laws), the rights of each Limited Partner to offer, sell or distribute its Redemption Shares pursuant to such Registration Statement or prospectus or to require the General Partner to take action with respect to the registration or sale of any Redemption Shares pursuant to a Registration Statement (including any action contemplated by this Section 8.05) will be suspended until the date upon which the General Partner notifies such Limited Partner in writing (which notice shall be deemed sufficient if given through the issuance of a press release or filing with the Commission and, if such notice is not publicly distributed, the Limited Partner agrees to keep the subject information confidential and acknowledges that such information may constitute material non-public information subject to the applicable restrictions under securities laws) that suspension of such rights for the grounds set forth in this paragraph is no longer necessary; provided, however, that the General Partner may not suspend such rights for an aggregate period of more than 180 days in any 12-month period; and

(z) in the case of the registration of any underwritten equity offering proposed by the General Partner (other than any registration by the General Partner on Form S-8, or a successor or substantially similar form, of an employee stock option, stock purchase or compensation plan or of securities issued or issuable pursuant to any such plan), each Limited Partner will agree, if requested in writing by the managing underwriter or underwriters administering such offering, not to effect any offer, sale or distribution of any REIT Shares or Redemption Shares (or any option or right to acquire REIT Shares or Redemption Shares) during the period commencing on the tenth day prior to the expected effective date (which date shall be stated in such notice) of the registration statement covering such underwritten primary equity offering or, if such offering shall be a "take-down" from an effective shelf registration statement, the tenth day prior to the expected commencement date (which date shall be stated in such notice) of such offering, and ending on the date specified by such managing underwriter in such written request to the Limited Partners; provided, however, that no Limited Partner shall be required to agree not to effect any offer, sale or distribution of its Redemption Shares for a period of time that is longer than the greater of 90 days or the period of time for which any senior executive of the General Partner is required so to agree in connection with such offering. Nothing in this paragraph shall be read to limit the ability of any Limited Partner to redeem its Common Units in accordance with the terms of this Agreement.

(b) Listing on Securities Exchange. If the General Partner lists or maintains the listing of REIT Shares on any securities exchange or national market system, it shall, at its expense and as necessary to permit the registration and sale of the Redemption Shares hereunder, list thereon, maintain and, when necessary, increase such listing to include such Redemption Shares.

(c) Registration Not Required. Notwithstanding the foregoing, the General Partner shall not be required to file or maintain the effectiveness of a registration statement relating to Redemption Shares after the first date upon which, in the opinion of counsel to the General Partner, all of the Redemption Shares covered thereby could be sold by the holders thereof either (i) pursuant to Rule 144 under the Securities Act, or any successor rule thereto ("**Rule 144**") without limitation as to amount or manner of sale or (ii) pursuant to Rule 144 in one transaction in accordance with the volume limitations contained in Rule 144(e) under the Securities Act.

(d) Allocation of Expenses. The Partnership shall pay all expenses in connection with the Registration Statement, including without limitation (i) all expenses incident to filing with the Financial Industry Regulatory Authority, Inc., (ii) registration fees, (iii) printing expenses, (iv) accounting and legal fees and expenses, except to the extent holders of Redemption Shares elect to engage accountants or attorneys in addition to the accountants and attorneys engaged by the General Partner or the Partnership, which fees and expenses for such accountants or attorneys shall be for the account of the holders of the Redemption Shares, (v) accounting expenses incident to or required by any such registration or qualification and (vi) expenses of complying with the securities or blue sky laws of any jurisdictions in connection with such registration or qualification; provided, however, neither the Partnership nor the General Partner shall be liable for, or pay (A) any discounts or commissions to any underwriter or broker attributable to the sale of Redemption Shares, or (B) any fees or expenses incurred by holders of Redemption Shares in connection with such registration that, according to the written instructions of any regulatory authority, the Partnership or the General Partner is not permitted to pay.

(e) Indemnification.

(i) In connection with the Registration Statement, the General Partner and the Partnership agree to indemnify each holder of Redemption Shares and each Person who controls any such holder of Redemption Shares within the meaning of Section 15 of the Securities Act, against all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) caused by any untrue, or alleged untrue, statement of a material fact contained in the Registration Statement, preliminary prospectus or prospectus (as amended or supplemented if the General Partner shall have furnished any amendments or supplements thereto) or caused by any omission or alleged omission, to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by any untrue statement, alleged untrue statement, omission, or alleged omission based upon information furnished to the General Partner by the Limited Partner or the holder for use therein. The General Partner and each officer, director and controlling person of the General Partner and the Partnership shall be indemnified by each Limited Partner or holder of Redemption Shares covered by the Registration Statement for all such losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) caused by any untrue, or alleged untrue, statement or any omission, or alleged omission, based upon information furnished to the General Partner by the Limited Partner or the holder for use therein.

(ii) Promptly upon receipt by a party indemnified under this Section 8.05(e) of notice of the commencement of any action against such indemnified party in respect of which indemnity or reimbursement may be sought against any indemnifying party under this Section 8.05(e), such indemnified party shall notify the indemnifying party in writing of the

commencement of such action, but the failure to so notify the indemnifying party shall not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.05(e) unless such failure shall materially adversely affect the defense of such action. In case notice of commencement of any such action shall be given to the indemnifying party as above provided, the indemnifying party shall be entitled to participate in and, to the extent it may wish, jointly with any other indemnifying party similarly notified, to assume the defense of such action at its own expense, with counsel chosen by it and reasonably satisfactory to such indemnified party. The indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the indemnified party unless (i) the indemnifying party agrees to pay the same, (ii) the indemnifying party fails to assume the defense of such action with counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) have been advised by such counsel that representation of such indemnified party and the indemnifying party by the same counsel would be inappropriate under applicable standards of professional conduct (in which case the indemnified party shall have the right to separate counsel and the indemnifying party shall pay the reasonable fees and expenses of such separate counsel, provided that, the indemnifying party shall not be liable for more than one separate counsel). No indemnifying party shall be liable for any settlement of any proceeding entered into without its consent.

(f) Contribution.

(i) If for any reason the indemnification provisions contemplated by Section 8.05(e) hereof are either unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities referred to therein, then the party that would otherwise be required to provide indemnification or the indemnifying party (in either case, for purposes of this Section 8.05(f), the "**Indemnifying Party**") in respect of such losses, claims, damages or liabilities, shall contribute to the amount paid or payable by the party that would otherwise be entitled to indemnification or the indemnified party (in either case, for purposes of this Section 8.05(f), the "**Indemnified Party**") as a result of such losses, claims, damages, liabilities or expense, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact related to information supplied by the Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party.

(ii) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8.05(f) were determined by pro rata allocation (even if the holders were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person or entity determined to have committed a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(iii) The contribution provided for in this Section 8.05(f) shall survive the termination of this Agreement and shall remain in full force and effect regardless of any investigation made by or on behalf of any Indemnified Party.

ARTICLE IX

TRANSFERS OF PARTNERSHIP INTERESTS

9.01 Purchase for Investment.

(a) Each Limited Partner, by its signature below or by its subsequent admission to the Partnership, hereby represents and warrants to the General Partner and to the Partnership that the acquisition of such Limited Partner's Partnership Units is made for investment purposes only and not with a view to the resale or distribution of such Partnership Units.

(b) Subject to the provisions of Section 9.02 hereof, each Limited Partner agrees that such Limited Partner will not sell, assign or otherwise transfer such Limited Partner's Partnership Units or any fraction thereof, whether voluntarily or by operation of law or at judicial sale or otherwise, to any Person who does not make the representations and warranties to the General Partner set forth in Section 9.01(a) hereof.

9.02 Restrictions on Transfer of Partnership Units.

(a) Subject to the provisions of Sections 9.02(b) and (c) hereof, no Limited Partner may offer, sell, assign, hypothecate, pledge or otherwise transfer all or any portion of such Limited Partner's Partnership Units, or any of such Limited Partner's economic rights as a Limited Partner, whether voluntarily or by operation of law or at judicial sale or otherwise (collectively, a "**Transfer**") without the consent of the General Partner, which consent may be granted or withheld in its sole and absolute discretion; provided, however, that the term Transfer does not include (a) any redemption of Common Units by the Partnership or the General Partner, or acquisition of Common Units by the General Partner, pursuant to Section 8.04 or (b) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The General Partner may require, as a condition of any Transfer to which it consents, that the transferor assume all costs incurred by the Partnership in connection therewith (including, but not limited to, cost of legal counsel).

(b) No Limited Partner may withdraw from the Partnership other than as a result of a permitted Transfer (*i.e.*, a Transfer consented to as contemplated by clause (a) above or a Transfer pursuant to Section 9.05 hereof) of all of such Limited Partner's Partnership Units pursuant to this Article IX or pursuant to a redemption of all of such Limited Partner's Common Units pursuant to Section 8.04 hereof. Upon the permitted Transfer or redemption of all of a Limited Partner's Common Units, such Limited Partner shall cease to be a Limited Partner.

(c) No Limited Partner may effect a Transfer of its Partnership Units, in whole or in part, if, in the opinion of legal counsel for the Partnership, such proposed Transfer would require the registration of the Partnership Units under the Securities Act or would otherwise violate any applicable federal or state securities or blue sky law (including investment suitability standards).

(d) No Transfer by a Limited Partner of its Partnership Units, in whole or in part, may be made to any Person if (i) in the opinion of legal counsel for the Partnership, such Transfer would result in the Partnership being treated as an association taxable as a corporation (other than a qualified REIT subsidiary within the meaning of Section 856(i) of the Code), (ii) in the opinion of legal counsel for the Partnership, it would adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Section 857 or Section 4981 of the Code, (iii) the General Partner determines, in its sole and absolute discretion, that such Transfer, along or in connection with other Transfers, could cause the Partnership Units to be treated as readily tradable on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code, or (iv) in the opinion of legal counsel for the Partnership, such Transfer is reasonably likely to cause the Partnership to fail to satisfy the 90% qualifying income test described in Section 7704(c) of the Code.

(e) Any purported Transfer in contravention of any of the provisions of this Article IX shall be void ab initio and ineffectual and shall not be binding upon, or recognized by, the General Partner or the Partnership.

(f) Prior to the consummation of any Transfer under this Article IX, the transferor and/or the transferee shall deliver to the General Partner such opinions, certificates and other documents as the General Partner shall request in connection with such Transfer.

9.03 Admission of Substitute Limited Partner.

(a) Subject to the other provisions of this Article IX, an assignee of the Partnership Units of a Limited Partner (which shall be understood to include any purchaser, transferee, donee or other recipient of any disposition of such Partnership Units) shall be deemed admitted as a Limited Partner of the Partnership only with the consent of the General Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion, and upon the completion of the following in a manner satisfactory to the General Partner:

(i) The assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart or an amendment thereof, including a revised Exhibit A, and such other documents or instruments as the General Partner may require in order to effect the admission of such Person as a Limited Partner.

(ii) To the extent required, an amended Certificate evidencing the admission of such Person as a Limited Partner shall have been signed, acknowledged and filed in accordance with the Act.

(iii) The assignee shall have delivered a letter containing the representation set forth in Section 9.01(a) hereof and the agreement set forth in Section 9.01(b) hereof.

(iv) If the assignee is a corporation, partnership, limited liability company or trust, the assignee shall have provided the General Partner with evidence satisfactory to counsel for the Partnership of the assignee's authority to become a Limited Partner under the terms and provisions of this Agreement.

(v) The assignee shall have executed a power of attorney containing the terms and provisions set forth in Section 8.02 hereof.

(vi) The assignee shall have paid all legal fees and other expenses of the Partnership and the General Partner and filing and publication costs in connection with its substitution as a Limited Partner.

(vii) The assignee shall have obtained the prior written consent of the General Partner to its admission as a Substitute Limited Partner, which consent may be given or denied in the exercise of the General Partner's sole and absolute discretion.

(b) For the purpose of allocating Profits and Losses and distributing cash received by the Partnership, a Substitute Limited Partner shall be treated as having become, and appearing in the records of the Partnership as, a Partner upon the filing of the Certificate described in Section 9.03(a)(ii) hereof or, if no such filing is required, the later of the date specified in the transfer documents or the date on which the General Partner has received all necessary instruments of transfer and substitution.

(c) The General Partner and the Substitute Limited Partner shall cooperate with each other by preparing the documentation required by this Section 9.03 and making all required filings and publications. The Partnership shall take all such action as promptly as practicable after the satisfaction of the conditions in this Article IX to the admission of such Person as a Limited Partner of the Partnership.

9.04 Rights of Assignees of Partnership Units.

(a) Subject to the provisions of Sections 9.01, 9.02 and 9.03 hereof, except as required by operation of law, the Partnership shall not be obligated for any purposes whatsoever to recognize the assignment by any Limited Partner of its Partnership Units until the Partnership has received notice thereof.

(b) Any Person who is the assignee of all or any portion of a Limited Partner's Partnership Units, but does not become a Substitute Limited Partner and desires to make a further assignment of such Partnership Units, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Limited Partner desiring to make an assignment of its Partnership Units.

9.05 Effect of Bankruptcy, Death, Incompetence or Termination of a Limited Partner. The occurrence of an Event of Bankruptcy as to a Limited Partner, the death of a Limited Partner or a final adjudication that a Limited Partner is incompetent (which term shall include, but not be limited to, insanity) shall not cause the termination or dissolution of the Partnership, and the business of the Partnership shall continue if an order for relief in a bankruptcy proceeding is entered against a Limited Partner, the trustee or receiver of his estate or, if such Limited Partner dies, such Limited Partner's executor, administrator or trustee, or, if such Limited Partner is finally adjudicated incompetent, such Limited Partner's committee, guardian or conservator, shall have the rights of such Limited Partner for the purpose of settling or managing such Limited Partner's estate property and such power as the bankrupt, deceased or incompetent Limited Partner possessed to assign all or any part of such Limited Partner's Partnership Units and to join with the assignee in satisfying conditions precedent to the admission of the assignee as a Substitute Limited Partner.

9.06 Joint Ownership of Partnership Units. A Partnership Unit may be acquired by two individuals as joint tenants with right of survivorship, provided that such individuals either are married or are related and share the same home as tenants in common. The written consent or vote of both owners of any such jointly held Partnership Unit shall be required to constitute the action of the owners of such Partnership Unit; provided, however, that the written consent of only one joint owner will be required if the Partnership has been provided with evidence satisfactory to the counsel for the Partnership that the actions of a single joint owner can bind both owners under the applicable laws of the state of residence of such joint owners. Upon the death of one owner of a Partnership Unit held in a joint tenancy with a right of survivorship, the Partnership Unit shall become owned solely by the survivor as a Limited Partner and not as an assignee. The Partnership need not recognize the death of one of the owners of a jointly-held Partnership Unit until it shall have received certificated notice of such death. Upon notice to the General Partner from either owner, the General Partner shall cause the Partnership Unit to be divided into two equal Partnership Units, which shall thereafter be owned separately by each of the former owners.

ARTICLE X

BOOKS AND RECORDS; ACCOUNTING; TAX MATTERS

10.01 Books and Records. At all times during the continuance of the Partnership, the General Partner shall keep or cause to be kept at the Partnership's specified office true and complete books of account in accordance with generally accepted accounting principles, including: (a) a current list of the full name and last known business address of each Partner, (b) a copy of the Certificate of Limited Partnership and all certificates of amendment thereto, (c) copies of the Partnership's federal, state and local income tax returns and reports, (d) copies of this Agreement and any financial statements of the Partnership for the three most recent years and (e) all documents and information required under the Act. Any Partner or its duly authorized representative, upon paying the costs of collection, duplication and mailing, shall be entitled to a copy of such records if reasonably requested.

10.02 Custody of Partnership Funds; Bank Accounts.

(a) All funds of the Partnership not otherwise invested shall be deposited in one or more accounts maintained in such banking or brokerage institutions as the General Partner shall determine, and withdrawals shall be made only on such signature or signatures as the General Partner may, from time to time, determine.

(b) All deposits and other funds not needed in the operation of the business of the Partnership may be invested by the General Partner. The funds of the Partnership shall not be commingled with the funds of any Person other than the General Partner except for such commingling as may necessarily result from an investment in those investment companies permitted by this Section 10.02(b).

10.03 Fiscal and Taxable Year. The fiscal and taxable year of the Partnership shall be the calendar year unless otherwise required by the Code.

10.04 Annual Tax Information and Report. Within 75 days after the end of each fiscal year of the Partnership, the General Partner shall furnish to each person who was a Limited Partner at any time during such year the tax information necessary to file such Limited Partner's individual tax returns as shall be reasonably required by law.

10.05 Tax Matters Partner; Tax Elections; Special Basis Adjustments.

(a) The General Partner shall be the Tax Matters Partner of the Partnership. As Tax Matters Partner, the General Partner shall have the right and obligation to take all actions authorized and required by the Code for the Tax Matters Partner. The General Partner shall have the right to retain professional assistance in respect of any audit of the Partnership by the Service and all out-of-pocket expenses and fees incurred by the General Partner on behalf of the Partnership as Tax Matters Partner shall constitute Partnership expenses. In the event the General Partner receives notice of a final Partnership adjustment under Section 6223(a)(2) of the Code, the General Partner shall either (i) file a court petition for judicial review of such final adjustment within the period provided under Section 6226(a) of the Code, a copy of which petition shall be mailed to all Limited Partners on the date such petition is filed, or (ii) mail a written notice to all Limited Partners, within such period, that describes the General Partner's reasons for determining not to file such a petition.

(b) All elections required or permitted to be made by the Partnership under the Code or any applicable state or local tax law shall be made by the General Partner in its sole and absolute discretion.

(c) In the event of a transfer of all or any part of the Partnership Interest of any Partner, the Partnership, at the option of the General Partner, may elect pursuant to Section 754 of the Code to adjust the basis of the Properties. Notwithstanding anything contained in Article V of this Agreement, any adjustments made pursuant to Section 754 shall affect only the successor in interest to the transferring Partner and in no event shall be taken into account in establishing, maintaining or computing Capital Accounts for the other Partners for any purpose under this Agreement. Each Partner will furnish the Partnership with all information necessary to give effect to such election.

(d) The Partners, intending to be legally bound, hereby authorize the Partnership to make an election (the "**Safe Harbor Election**") to have the "liquidation value" safe harbor provided in Proposed Treasury Regulation § 1.83-3(1) and the Proposed Revenue Procedure set forth in Internal Revenue Service Notice 2005-43, as such safe harbor may be modified when such proposed guidance is issued in final form or as amended by subsequently issued guidance (the "**Safe Harbor**"), apply to any interest in the Partnership transferred to a service provider while the Safe Harbor Election remains effective, to the extent such interest meets the Safe Harbor requirements (collectively, such interests are referred to as "**Safe Harbor Interests**"). The Tax Matters Partner is authorized and directed to execute and file the Safe Harbor Election on behalf of the Partnership and the Partners. The Partnership and the Partners (including any person to whom an interest in the Partnership is transferred in connection with the performance of services) hereby

agree to comply with all requirements of the Safe Harbor (including forfeiture allocations) with respect to all Safe Harbor Interests and to prepare and file all U.S. federal income tax returns reporting the tax consequences of the issuance and vesting of Safe Harbor Interests consistent with such final Safe Harbor guidance. The Partnership is also authorized to take such actions as are necessary to achieve, under the Safe Harbor, the effect that the election and compliance with all requirements of the Safe Harbor referred to above would be intended to achieve under Proposed Treasury Regulation § 1.83-3, including amending this Agreement.

(e) Each Limited Partner shall be required to provide such information as reasonably requested by the Partnership in order to determine whether such Limited Partner (i) owns, directly or constructively (within the meaning of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code and Section 7704(d)(3) of the Code), five percent (5%) or more of the value of the Partnership or (ii) owns, directly or constructively (within the meaning of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code and Section 7704(d)(3) of the Code), ten percent (10%) or more of (a) the stock, by voting power or value, of a tenant (other than a "taxable REIT subsidiary" within the meaning of Section 856(d) of the Code) of the Partnership that is a corporation or (b) the assets or net profits of a tenant of the Partnership that is a noncorporate entity.

ARTICLE XI

AMENDMENT OF AGREEMENT; MERGER

11.01 Amendment of Agreement.

The General Partner's consent shall be required for any amendment to this Agreement. The General Partner, without the consent of the Limited Partners, may amend this Agreement in any respect; provided, however, that the following amendments shall require the consent of a Majority in Interest (excluding, for purposes of determining a Majority in Interest, Partnership Interests held by the General Partner or any Subsidiary of the General Partner):

(a) any amendment affecting the operation of the Conversion Factor or the Common Unit Redemption Right (except as otherwise provided herein) in a manner that adversely affects the Limited Partners in any material respect;

(b) any amendment that would adversely affect the rights of the Limited Partners to receive the distributions payable to them hereunder, other than with respect to the issuance of additional Partnership Units pursuant to Section 4.02 hereof;

(c) any amendment that would alter the Partnership's allocations of Profit and Loss to the Limited Partners, other than with respect to the issuance of additional Partnership Units pursuant to Section 4.02 hereof;

(d) any amendment that would impose on the Limited Partners any obligation to make additional Capital Contributions to the Partnership; or

(e) any amendment to this Article XI.

11.02 Merger of Partnership.

The General Partner, without the consent of the Limited Partners, may (i) merge or consolidate the Partnership with or into any other domestic or foreign partnership, limited partnership, limited liability company or corporation or (ii) sell all or substantially all of the assets of the Partnership in a transaction pursuant to which the Limited Partners (other than the General Partner or any Subsidiary of the General Partner) receive consideration as set forth in Section 7.01(c)(ii) hereof or in a transaction that complies with the provisions of Sections 7.01(c)(iii) or 7.01(d) hereof and may amend this Agreement in connection with any such transaction consistent with the provisions of this Article XI; provided, however, that the consent of a Majority in Interest shall be required in the case of any other (a) merger or consolidation of the Partnership with or into any other domestic or foreign partnership, limited partnership, limited liability company or corporation or (b) sale of all or substantially all of the assets of the Partnership.

ARTICLE XII

GENERAL PROVISIONS

12.01 Notices. All communications required or permitted under this Agreement shall be in writing and shall be deemed to have been given when delivered personally, by email, by press release, by posting on the Web site of the General Partner, or upon deposit in the United States mail, registered, first-class postage prepaid return receipt requested, or via courier to the Partners at the addresses set forth in Exhibit A attached hereto, as it may be amended or restated from time to time; provided, however, that any Partner may specify a different address by notifying the General Partner in writing of such different address. Notices to the General Partner and the Partnership shall be delivered at or mailed to its principal office address set forth in Section 2.03 hereof. The General Partner and the Partnership may specify a different address by notifying the Limited Partners in writing of such different address.

12.02 Survival of Rights. Subject to the provisions hereof limiting transfers, this Agreement shall be binding upon and inure to the benefit of the Partners and the Partnership and their permitted respective legal representatives, successors, transferees and assigns.

12.03 Additional Documents. Each Partner agrees to perform all further acts and execute, swear to, acknowledge and deliver all further documents that may be reasonable, necessary, appropriate or desirable to carry out the provisions of this Agreement or as required by the Act.

12.04 Severability. If any provision of this Agreement shall be declared illegal, invalid or unenforceable in any jurisdiction, then such provision shall be deemed to be severable from this Agreement (to the extent permitted by law) and in any event such illegality, invalidity or unenforceability shall not affect the remainder hereof. To the extent permitted under applicable law, the severed provision shall be interpreted or modified so as to be enforceable to the maximum extent permitted by law.

12.05 Entire Agreement. This Agreement and exhibits attached hereto constitute the entire Agreement of the Partners and supersede all prior written agreements and prior and contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof.

12.06 Pronouns and Plurals. When the context in which words are used in the Agreement indicates that such is the intent, words in the singular number shall include the plural and the masculine gender shall include the neuter or female gender as the context may require.

12.07 Headings. The Article headings or sections in this Agreement are for convenience only and shall not be used in construing the scope of this Agreement or any particular Article.

12.08 Counterparts. This Agreement may be executed by hand or by power of attorney in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one and the same instrument binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.

12.09 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have hereunder affixed their signatures to this First Amended and Restated Agreement of Limited Partnership, all as of the day 13th of May, 2013.

GENERAL PARTNER:

ARMADA HOFFLER PROPERTIES, INC.

By: /s/ Louis S. Haddad

Name: Louis S. Haddad

Title: CEO/President

EXHIBIT A

(As of , 2013)

Partner	Cash Contribution(1)	Agreed Value of Capital Contribution(1)	Common Units	LTIP Units	Percentage Interest
General Partner:					
Armada Hoffler Properties, Inc.	$	$			
[ ]					
Limited Partners:					
[ ]	$	$			%
	$	$			%
	$	$			%
	$	$			%
TOTALS	$	$			%

(1) Does not account for offering expenses. Cash and Agreed Value of Cash are to be reduced by final amount of offering expenses and underwriting discount as determined by the accountants to the Company at a later date.

EXHIBIT B

NOTICE OF EXERCISE OF REDEMPTION RIGHT

In accordance with Section 8.04 of the Agreement of Limited Partnership, as amended (the **"Agreement"**) of Armada Hoffler, L.P., the undersigned hereby irrevocably (i) presents for redemption Common Units of Armada Hoffler, L.P. in accordance with the terms of the Agreement, as amended, and the Common Unit Redemption Right referred to in Section 8.04 thereof, (ii) surrenders such Common Units and all right, title and interest therein and (iii) directs that the Cash Amount or REIT Shares Amount (as defined in the Agreement) as determined by the General Partner deliverable upon exercise of the Common Unit Redemption Right be delivered to the address specified below, and if REIT Shares (as defined in the Agreement) are to be delivered, such REIT Shares be registered or placed in the name(s) and at the address(es) specified below. The undersigned hereby represents, warrants and certifies that the undersigned (a) has title to such Common Units, free and clear of the rights and interests of any person or entity other than the Partnership or the General Partner; (b) has the full right, power and authority to cause the redemption of the Common Units as provided herein; and (c) has obtained the approval of all persons or entities, if any, having the right to consent to or approve the Common Units for redemption.

Dated: ,

Name of Limited Partner:

(Signature of Limited Partner or Authorized Representative)

(Mailing Address)

(City) (State) (Zip Code)

Signature Guaranteed by:

If REIT Shares are to be issued, issue to:

Name:

Please insert Social Security or Identifying Number:

EXHIBIT C-1

CERTIFICATION OF NON-FOREIGN STATUS
(FOR REDEEMING LIMITED PARTNERS THAT ARE ENTITIES)

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), in the event of a disposition by a non-U.S. person of a partnership interest in a partnership in which (i) 50% or more of the value of the gross assets consists of United States real property interests ("USRPIs"), as defined in Section 897(c) of the Code, and (ii) 90% or more of the value of the gross assets consists of USRPIs, cash, and cash equivalents, the transferee will be required to withhold 10% of the amount realized by the non-U.S. person upon the disposition. To inform Armada Hoffler Properties, Inc. (the "General Partner") and Armada Hoffler, L.P. (the "Partnership") that no withholding is required with respect to the redemption by ("Partner") of its Common Units in the Partnership, the undersigned hereby certifies the following on behalf of Partner:

1. Partner is not a foreign corporation, foreign partnership, foreign trust, or foreign estate, as those terms are defined in the Code and the Treasury regulations thereunder.

2. Partner is not a disregarded entity as defined in Treasury Regulation Section 1.1445-2(b)(2)(iii).

3. The U.S. employer identification number of Partner is .

4. The principal business address of Partner is: , and Partner's place of incorporation is .

5. Partner agrees to inform the General Partner if it becomes a foreign person at any time during the three-year period immediately following the date of this notice.

6. Partner understands that this certification may be disclosed to the Internal Revenue Service by the General Partner and that any false statement contained herein could be punished by fine, imprisonment, or both.

PARTNER:

By: _____
Name: _____
Title: _____

Under penalties of perjury, I declare that I have examined this certification and, to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of Partner.

Date:

Name: _____
Title: _____

EXHIBIT C-2

CERTIFICATION OF NON-FOREIGN STATUS
(FOR REDEEMING LIMITED PARTNERS THAT ARE INDIVIDUALS)

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), in the event of a disposition by a non-U.S. person of a partnership interest in a partnership in which (i) 50% or more of the value of the gross assets consists of United States real property interests ("USRPIs"), as defined in Section 897(c) of the Code, and (ii) 90% or more of the value of the gross assets consists of USRPIs, cash, and cash equivalents, the transferee will be required to withhold 10% of the amount realized by the non-U.S. person upon the disposition. To inform Armada Hoffler Properties, Inc. (the "General Partner") and Armada Hoffler, L.P. (the "Partnership") that no withholding is required with respect to my redemption of my Common Units in the Partnership, I, , hereby certify the following:

1. I am not a nonresident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (social security number) is .

3. My home address is: .

4. I agree to inform the General Partner promptly if I become a nonresident alien at any time during the three-year period immediately following the date of this notice.

5. I understand that this certification may be disclosed to the Internal Revenue Service by the General Partner and that any false statement contained herein could be punished by fine, imprisonment, or both.

Name: .

Under penalties of perjury, I declare that I have examined this certification and, to the best of my knowledge and belief, it is true, correct, and complete.

Date: , 20 .

Name: _____
Title: _____

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT LTIP UNITS INTO COMMON UNITS

The undersigned holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units of Armada Hoffler, L.P. (the "Partnership") set forth below into Common Units in accordance with the terms of the Agreement, as amended; and (ii) directs that any cash in lieu of Common Units that may be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership or the General Partner; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent to or approval of all persons or entities, if any, having the right to consent to or approve such conversion.

Name of Holder:

(Please Print: Exact Name as Registered with Partnership)

Number of LTIP Units to be Converted:

Date of this Notice:

(Signature of Holder: Sign Exact Name as Registered with Partnership)

(Street Address)

(City) (State) (Zip Code)

Signature Guaranteed by:

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO COMMON UNITS

Armada Hoffler, L.P. (the "Partnership") hereby elects to cause the number of LTIP Units held by the holder of LTIP Units set forth below to be converted into Common Units in accordance with the terms of the Agreement, as amended, effective as of (the "Conversion Date").

Name of Holder:

(Please Print: Exact Name as Registered with Partnership)

Number of LTIP Units to be Converted:

Date of this Notice:

ARMADA HOFFLER, L.P.

EXECUTIVE SEVERANCE BENEFIT PLAN

I. PURPOSE

Armada Hoffler, L.P. (the "Company") recognizes that outstanding management of the Company and its Affiliates is essential to advancing the interests of the Company and its Affiliates. The Company also recognizes that the risk and uncertainty of an unexpected termination of employment could distract its executive officers from the performance of their duties and frustrate the Company's ability to retain their services. The Company has adopted this Executive Severance Benefit Plan in order to minimize the distraction that could result from unexpected terminations of employment and in order to enhance the Company's ability to attract and retain executives who possess the level of skill, judgment and experience essential to the Company's success.

The Company also has a legitimate business interest in assuring that Participants do not take advantage of relationships developed, or information acquired, by the Participant during the Participant's employment with the Company or an Affiliate. Accordingly, the Company has adopted this Executive Severance Benefit Plan to provide Participants, in accordance with the terms of this Executive Severance Benefit Plan, additional and significant benefits to which Participants are not otherwise entitled. In consideration for the right to receive those additional and significant benefits, each Participant agrees to comply with the covenants set forth in Article VI.

II. DEFINITIONS

The following terms shall have the definitions set forth below:

2.01. Affiliate. "Affiliate" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with the Company (including, but not limited to, joint ventures, limited liability companies and partnerships). For this purpose, the term "control" shall mean ownership of fifty percent (50%) or more of the total combined voting power or value of all classes of shares or interests in the entity, or the power to direct the management and policies of the entity, by contract or otherwise.

2.02. Bonus. "Bonus" means the "target" amount or level of any incentive compensation payable in cash or securities of the Company or an Affiliate but does not include any equity or equity-based awards granted to a Participant under the Armada Hoffler Properties, Inc. 2013 Equity Incentive Plan. If a "target" level of Bonus is not established for a Participant, then for purposes of Section 5.01 the Bonus shall equal 75% of the Tier I Participant's Salary, for purposes of Section 5.02 the Bonus shall equal 50% of the Tier II Participant's Salary and for purposes of Section 5.03 the Bonus shall equal 25% of the Tier III Participant's Salary (in each case disregarding any reduction in Salary that constitutes Good Reason).

2.03. Cause. "Cause" means (i) a Participant's willful failure or refusal to perform specific reasonable written directives of the Committee (or the board of directors or managers of an Affiliate, as applicable), which directives are consistent with the scope and nature of the Participant's duties and responsibilities to the Company or an Affiliate and which is not remedied by the Participant within sixty (60) days after written notice of the failure by the Committee; (ii) a Participant's conviction of, or plea of guilty or *nolo contendre*, to a felony; (iii) any act of dishonesty by a Participant involving the Company or an Affiliate which results in a material unjust gain or enrichment to the Participant at the expense of the Company or an Affiliate; (iv) any act of a Participant involving moral turpitude which materially and adversely affects the business of the Company or an Affiliate or (v) a Participant's material breach of the obligations set forth in Article VI. No act or failure to act on the part of a Participant shall be deemed "willful" unless it was done or omitted to be done by the Participant not in good faith and without reasonable belief that the action or omission was in the best interests of the Company or an Affiliate. A termination of a Participant's employment shall not be deemed to have been for Cause unless the termination is approved in a resolution duly adopted by the affirmative vote of not less than a majority of the Committee then in office (excluding the Participant or any immediate family member of the Participant) adopted at a meeting of the Committee called and held for such purpose, after reasonable notice to the Participant and an opportunity for the Participant, together with counsel (if the Participant chooses), to be heard before the Committee, finding that, in the good faith opinion of the Committee, the Participant committed an act or omission constituting Cause as defined above.

2.04. Change in Control. "Change in Control" shall mean a change in control of Armada Hoffler Properties, Inc. (the "REIT") which will be deemed to have occurred after the date hereof if:

(1) any "person" as such term is used in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof except that such term shall not include (A) the REIT or any of its subsidiaries, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the REIT or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, (D) any corporation owned, directly or indirectly, by the stockholders of the REIT in substantially the same proportions as their ownership of the REIT's common stock, or (E) any person or group as used in Rule 13d-1(b) under the Exchange Act, is or becomes the Beneficial Owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the REIT representing at least 50% of the combined voting power or common stock of the REIT;

(2) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the REIT, and any new director (other than (A) a director designated by a person who has entered into an agreement with the REIT to effect a transaction described in clause (1), (3), or (4) of this Section 2.04 or (B) a director of the REIT whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the REIT) whose election by the REIT's board of directors or nomination for election by the REIT's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(3) there is consummated a merger or consolidation of the REIT or any direct or indirect subsidiary of the REIT with any other corporation, other than a merger or consolidation which would result in the voting securities of the REIT outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the REIT or any subsidiary of the REIT, more than 50% of the combined voting power and common stock of the REIT or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(4) there is consummated a sale or disposition by the REIT of all or substantially all of the REIT's assets (or any transaction having a similar effect, including a liquidation) other than a sale or disposition by the REIT of all or substantially all of the REIT's assets to an entity, more than fifty percent (50%) of the combined voting power and common stock of which is owned by stockholders of the REIT in substantially the same proportions as their ownership of the common stock of the REIT immediately prior to such sale.

2.05. Code. "Code" means the Internal Revenue Code of 1986, and any amendments thereto.

2.06. Committee. "Committee" means the committee appointed by the REIT, in its capacity as general partner of the Company, to administer the Plan; *provided, however,* that if there is no committee, then "Committee" means the REIT, in its capacity as general partner of the Company.

2.07. Company. "Company" means Armada Hoffler, L.P.

2.08. Control Change Date. "Control Change Date" means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the "Control Change Date" is the date of the last of such transactions.

2.09. ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.10. Good Reason. "Good Reason" means (i) a material breach by the Company or an Affiliate of any written agreement between the Participant and the Company or an Affiliate; (ii) a material reduction in the nature or scope of the Participant's title, authority, powers, functions, duties or responsibilities (other than a reduction for Cause), (iii) a material reduction in the Participant's Salary or Bonus opportunity (other than a reduction for Cause or a reduction related to a general reduction that affects similarly situated individuals in a comparable manner) or (iv) a requirement that the Participant, without his or her consent, transfer the Participant's principal office to a location more than fifty (50) miles from his or her then-current principal office. A Participant shall not be deemed to have resigned with Good Reason unless the Participant gives the Board written notice of the grounds that the Participant asserts constitute

Good Reason within ninety (90) days after the initial existence of such grounds, the Company or an Affiliate, as applicable fails to cure or remedy such grounds to the reasonable satisfaction of the Participant within thirty (30) days thereafter and the Participant resigns from the employ of the Company and its Affiliates within thirty (30) days after the expiration of such cure period.

2.11. Participant. "Participant" means an individual who satisfies the eligibility requirements set forth in Article III, is selected by the Committee to participate in the Plan and who enters into a Participation Agreement with the Company.

2.12. Participation Agreement. "Participation Agreement" means the agreement, in a form approved by the Committee, confirming an individual's participation in the Plan and his or her agreement to be bound by all of the terms and conditions of the Plan, including the covenants set forth in Article VI.

2.13. Plan. "Plan" means this Armada Hoffler, L.P. Executive Severance Benefit Plan, as amended from time to time.

2.14. Salary. "Salary" means a Participant's base salary as in effect on the date the Participant's employment with the Company and its Affiliates is terminated or terminates in accordance with Article IV; *provided, however,* that a Participant's Salary shall be determined without regard to any reduction in base salary that constitutes Good Reason.

2.15. Standard Termination Benefits. "Standard Termination Benefits" means the sum of any Salary that has been earned but remains unpaid, any Bonus that has been earned but remains unpaid and any accrued but unused vacation pay.

2.16. Tier I Participant. "Tier I Participant" means a Participant who is designated as a Tier I Participant by the Committee.

2.17. Tier II Participant. "Tier II Participant" means a Participant who is designated as a Tier II Participant by the Committee.

2.18. Tier III Participant. "Tier III Participant means a Participant who is designated as a Tier III Participant by the Committee.

III. ELIGIBILITY

Participation in the Plan shall be limited to employees of the Company or an Affiliate who (i) are members of a "select group of management or highly compensated employees" as such phrase is defined for purposes of Title I of ERISA, (ii) are selected to participate in the Plan by the Committee and (iii) execute a Participation Agreement. The Committee's designation shall also designate whether the individual is a Tier I Participant, a Tier II Participant or a Tier III Participant.

IV. ELIGIBILITY TO RECEIVE BENEFITS

A Participant shall be entitled to receive the benefits described in the applicable section of Article V if the Participant (a) remains in the continuous employ of the Company or an

Affiliate from the date the Participant is designated as eligible to participate in the Plan until the date that the Participant's employment with the Company and its Affiliates is terminated without Cause or the date that the Participant's employment with the Company and its Affiliates is terminated by the Participant's resignation with Good Reason and (b) satisfies the requirement to provide a Release as described in Section 5.04.

V. SEVERANCE BENEFITS

5.01. Tier I Participants. A Participant who is designated a Tier I Participant and who satisfies the requirements of Article IV and Section 5.04 shall be eligible to receive the following benefits:

(a) Unless previously paid, the Tier I Participant shall be entitled to receive the Standard Termination Benefits.

(b) A payment equal to a *pro rata* amount (based on the portion of the calendar year that the Participant was employed by the Company or an Affiliate) of the Tier I Participant's Bonus for the year in which employment is terminated or terminates; *provided, however,* that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(c) A payment equal to the product of three (3.0) times the Tier I Participant's Salary as in effect on the date the Tier I Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided, however*, that any reduction in Salary that constitutes Good Reason shall be disregarded.

(d) A payment equal to the product of three (3.0) times the Tier I Participant's Bonus for the year in which the Tier I Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided, however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(e) A payment equal to the product of three (3.0) times the sum of (i) the annual COBRA premium that the Company is permitted to charge "qualified beneficiaries" (as defined in Section 4980B of the Code) for the same level and type of coverage that were in effect for the Tier I Participant and dependents on the date employment terminates or ends in accordance with Article IV and (ii) the annual premium for the life insurance, long-term disability insurance and accidental death and dismemberment insurance that were in effect on the date employment terminates or ends in accordance with Article IV.

5.02. Tier II Participants. A Participant who is designated a Tier II Participant and who satisfies the requirements of Article IV and Section 5.04 shall be eligible to receive the following benefits:

(a) Unless previously paid, the Tier II Participant shall be entitled to receive the Standard Termination Benefits.

(b) A payment equal to a *pro rata* amount (based on the portion of the calendar year that the Participant was employed by the Company or an Affiliate) of the Tier II Participant's Bonus for the year in which employment is terminated or terminates; *provided, however,* that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(c) A payment equal to the product of two (2.0) times the Tier II Participant's Salary as in effect on the date the Tier II Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided, however*, that any reduction in Salary that constitutes Good Reason shall be disregarded.

(d) A payment equal to the product of two (2.0) times the Tier II Participant's Bonus for the year in which the Tier II Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided, however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(e) A payment equal to the product of two (2.0) times the sum of (i) the annual COBRA premium that the Company is permitted to charge "qualified beneficiaries" (as defined in Section 4980B of the Code) for the same level and type of coverage that were in effect for the Tier II Participant and dependents on the date employment terminates or ends in accordance with Article IV and (ii) the annual premium for the life insurance, long-term disability insurance and accidental death and dismemberment insurance that were in effect on the date employment terminates or ends in accordance with Article IV.

(f) If a Tier II Participant satisfies the requirements of Article IV and Section 5.04 and is terminated without Cause or resigns with Good Reason, in either case within ninety (90) days before a Change in Control or within one (1) year after a Change in Control, then the benefits described in the preceding Sections 5.02(c), (d) and (e) shall be calculated by substituting "two and one-half (2.5)" for "two (2.0)" therein.

5.03. Tier III Participants. A Participant who is designated a Tier III Participant and who satisfies the requirements of Article IV and Section 5.04 shall be eligible to receive the following benefits:

(a) Unless previously paid, the Tier III Participant shall be entitled to receive the Standard Termination Benefits.

(b) A payment equal to a *pro rata* amount (based on the portion of the calendar year that the Participant was employed by the Company or an Affiliate) of the Tier III Participant's Bonus for the year in which employment is terminated or terminates; *provided, however,* that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(c) A payment equal to the product of one (1.0) times the Tier III Participant's Salary as in effect on the date the Tier III Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided, however*, that any reduction in Salary that constitutes Good Reason shall be disregarded.

(d) A payment equal to the product of one (1.0) times the Tier III Participant's Bonus for the year in which the Tier III Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided, however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(e) A payment equal to the product of one (1.0) times the sum of (i) the annual COBRA premium that the Company is permitted to charge "qualified beneficiaries" (as defined in Section 4980B of the Code) for the same level and type of coverage that were in effect for the Tier III Participant and dependents on the date employment terminates or ends in accordance with Article IV and (ii) the annual premium for the life insurance, long-term disability insurance and accidental death and dismemberment insurance that were in effect on the date employment terminates or ends in accordance with Article IV.

(f) If a Tier III Participant satisfies the requirements of Article IV and Section 5.04 and is terminated without Cause or resigns with Good Reason, in either case within ninety (90) days before a Change in Control or within one (1) year after a Change in Control, then the benefits described in the preceding Sections 5.03(c), (d) and (e) shall be calculated by substituting "one and one-half (1.5)" for "one (1.0)" therein.

5.04. Release. A Participant shall not be entitled to receive any benefits (other than the Standard Termination Benefits) unless the Participant signs a general release and waiver of claims, on a form provided by the Company, and the general release and waiver of claims becomes effective and irrevocable on or before the forty-fifth (45th) day after the date that the Participant's employment is terminated or ends in accordance with Article IV. [The Company shall deliver the general release and waiver of claims to the Participant no later than ten (10) days after the date that the Participant's employment is terminated or ends in accordance with Article IV.

5.05. Payment. The Standard Termination Benefits shall be paid to each Participant as soon as practicable after the date that the Participant ceases to be employed by the Company and its Affiliates. Any other benefits payable under the Plan shall be paid to the Participant, in a single cash payment, within five (5) days after the release described in Section 5.04 becomes effective and irrevocable; provided, however, that if a Tier II Participant or a Tier III Participant becomes entitled to additional benefits pursuant to Section 5.02(f) or 5.03(f), respectively, after the payment of the benefits due before the application of Section 5.02(f) or 5.03(f), the additional benefits shall be paid within five (5) days after the Control Change Date. Applicable income and employment taxes shall be deducted from any payment to a Participant.

VI. RESTRICTIVE COVENANTS

6.01. Covenant Against Competition. As a condition of participation in the Plan and as set forth in the Participation Agreement, each Participant agrees that during his or her employment with the Company or an Affiliate and for a period of one (1) year following the termination of the Participant's employment with the Company and its Affiliates for any reason, that the Participant shall not engage in any business which is competitive with the business of the Company or any Affiliate as of the date such employment terminates or is terminated. A business shall be deemed "competitive" with the business of the Company or an Affiliate if its business consists of or includes any type or line of business engaged in by the Company or any Affiliate as of the date of such termination and is conducted, in whole or in part, within the states of North Carolina or Maryland, the Commonwealth of Virginia or the District of Columbia. A Participant shall be deemed to "engage in a business" if the Participant (a) participates, directly or indirectly, in such business as a director, officer, stockholder, employee, salesman, partner or

individual proprietor, (ii) acts as a paid consultant, representative or advisor to such business, (iii) participates in such business as an investor (whether through loans, contributions to capital or otherwise) or has a controlling influence over such business or (iv) permits his or her name to be used by or in connection with such business; *provided, however*, that this Section 6.01 shall not preclude the purchase of securities that are listed on a national securities exchange of any entity that is competitive with the Company or an Affiliate, provided that the Participant may not beneficially own more than five percent (5%) or more of any class of such securities.

6.02. Covenant Against Solicitation. As a condition of participation in the Plan and as set forth in the Participation Agreement, each Participant agrees that during his or her employment with the Company or an Affiliate and for a period of one (1) year following the termination of the Participant's employment with the Company and its Affiliates for any reason, that the Participant shall not, directly or indirectly through another person or entity (i) solicit any employee of the Company or an Affiliate to leave the employ of the Company or Affiliate or in any way interfere with the relationship between the Company or its Affiliate, on the one hand, and any employee thereof, on the other hand, (ii) hire any person who was an employee of the Company or an Affiliate until one year after such individual's employment relationship with the Company and its Affiliates has been terminated or (iii) induce or attempt to induce any customer, client, supplier, contractor or other business relation of the Company or an Affiliate to cease doing business with the Company or an Affiliate or in any way interfere with the relationship between any such customer, client, supplier, contractor or business relation, on the one hand, and the Company or its Affiliate, on the other hand.

6.03. Covenant Regarding Confidentiality. As a condition of participation in the Plan and as set forth in the Participation Agreement, each Participant agrees that he or she shall not at any time use or divulge, furnish or make accessible to anyone (other than in the regular course of the business of the Company or its Affiliates) any information regarding trade secrets, proprietary information or other confidential information (including, but not limited to, any information concerning customers, clients or accounts) with respect to the business affairs of the Company or any Affiliate. This Section 6.03 shall not apply to information that is or becomes generally available (i) to the public other than as a result of a disclosure by the Participant or his or her representatives.

VII. LIMITATION ON BENEFITS

The benefits that a Participant may be entitled to receive under this Plan and other benefits that a Participant is entitled to receive under other plans, agreements and arrangements (which, together with the benefits provided under this Plan, are referred to as "Payments"), may constitute Parachute Payments that are subject to Code Sections 280G and 4999. As provided in this Article VII, the Parachute Payments will be reduced if, and only to the extent that, a reduction will allow a Participant to receive a greater Net After Tax Amount than a Participant would receive absent a reduction.

The Accounting Firm will first determine the amount of any Parachute Payments that are payable to a Participant. The Accounting Firm also will determine the Net After Tax Amount attributable to the Participant's total Parachute Payments.

The Accounting Firm will next determine the largest amount of Payments that may be made to the Participant without subjecting the Participant to tax under Code Section 4999 (the "Capped Payments"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

The Participant will receive the total Parachute Payments or the Capped Payments, whichever provides the Participant with the higher Net After Tax Amount. If the Participant will receive the Capped Payments, the total Parachute Payments will be adjusted by first reducing the amount of any noncash benefits under this Plan or any other plan, agreement or arrangement (with the source of the reduction to be directed by the Participant) and then by reducing the amount of any cash benefits under this Plan or any other plan, agreement or arrangement (with the source of the reduction to be directed by the Participant). The Accounting Firm will notify the Participant and the Company if it determines that the Parachute Payments must be reduced to the Capped Payments and will send the Participant and the Company a copy of its detailed calculations supporting that determination.

As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Article VII, it is possible that amounts will have been paid or distributed to the Participant that should not have been paid or distributed under this Article VII ("Overpayments"), or that additional amounts should be paid or distributed to the Participant under this Article VII ("Underpayments"). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Participant must repay to the Company, without interest; provided, however, that no loan will be deemed to have been made and no amount will be payable by the Participant to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which the Participant is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Participant and the Company of that determination and the amount of that Underpayment will be paid to the Participant promptly by the Company.

For purposes of this Article VII, the term "Accounting Firm" means the independent accounting firm engaged by the Company immediately before the Control Change Date. For purposes of this Article VII, the term "Net After Tax Amount" means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Participant on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment. For purposes of this Article VII, the term "Parachute Payment" means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.

VIII. CODE SECTION 409A

The Plan and all payments under the Plan are intended to be exempt from, or otherwise comply with, Section 409A of the Code ("Section 409A"), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12). This Plan and the Participation Agreements shall be administered, interpreted and construed in a manner consistent with that intent. If any provision of the Plan or the payment of any benefit under the Plan is found not to be exempt from and found not to comply with, the provisions of Section 409A, it shall be modified and given effect, in the sole discretion of the Committee and without requiring the Participant's consent, in such manner as the Committee determines is necessary or appropriate to effectuate an exemption from, or to comply with, Section 409A. Each payment under the Plan shall be treated as a separate identified payment for purposes of Section 409A.

If a payment obligation under the Plan constitutes "deferred compensation" (as defined in Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12)), it shall be payable only after the Participant's "separation from service" (as defined under Treasury Regulation section 1.409A-1(h)); *provided, however*, that if the Participant is a "specified employee" (as defined under Treasury Regulation section 1.409A-1(i)), any such payment that is subject to Section 409A and that is scheduled to be paid within six months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh month beginning after the date of the Participant's separation from service or, if earlier, within fifteen (15) days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death.

IX. ADMINISTRATION; CLAIMS PROCEDURE; REVIEW

9.01. Administration. The Committee shall serve as the "plan administrator" and "named fiduciary" of the Plan for purposes of the Employee Retirement Income Security Act of 1974, as amended. The Committee shall have full power and discretionary authority to determine eligibility to participate in the Plan, to designate Participants as Tier I Participants, Tier II Participants and Tier III Participants, to determine eligibility to receive Plan benefits and to construe and interpret the terms of the Plan. The Committee shall have the authority to make all factual determinations necessary to administer the Plan. The decisions of the Committee shall be final and conclusive with respect to all questions concerning administration of the Plan; subject only to the claims procedure and review procedure set forth in Sections 9.02 and 9.03. No member of the Committee shall be liable for any act done in good faith with respect to the Plan.

The Committee may delegate to other persons responsibility for performing ministerial acts with respect to the administration of the Plan. The Committee may seek such expert advice as the Committee deems necessary or desirable with respect to the Plan. The Committee shall be entitled to rely upon the information and advice furnished by such delegates and experts, unless the Committee has actual knowledge that such information or advice is inaccurate or unlawful. No Participant shall be entitled to challenge a decision of the Committee in court or in any other administrative proceeding unless and until the claim and review procedures set forth in Sections 9.02 and 9.03 have been complied with and exhausted.

9.02. Claim Procedure. A Participant is not required to file a claim in order to receive any benefits that are payable under the Plan but a Participant who believes he or she is entitled to benefits or additional benefits may file a written claim for benefits with the Committee. The Committee shall review any written claim for benefits that is submitted to it. If a claim is wholly or partially denied, the Committee will furnish the Participant written notice in accordance with Department of Labor regulations of the Committee's decision within ninety (90) days of receipt of the written claim. The Committee's notification shall include (a) the specific reasons for the denial, (b) the specific reference to the pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary for the Participant to perfect the claim and an explanation of why such material or information is necessary and (d) a description of the Plan's claims review procedures describing the steps to be taken and the applicable time limits to submit a claim for review, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

If special circumstances require an extension of time for the Committee to process a written claim for benefits, the ninety (90) day period may be extended for an additional ninety (90) days. Prior to the expiration of the initial ninety (90) day period, the Participant shall be furnished with a written or electronic notice setting forth the reason for the extension and the special circumstances requiring an extension of time and the date by which the Committee expects to render its decision on the written claim for benefits.

9.03. Review of Claim Denials. If a written claim for benefits is wholly or partially denied, the Participant may (a) request a full and fair review of the Committee's decision upon written application to the Committee filed within sixty (60) days after receipt of the written notification of the Committee's decision, (b) submit written comments, documents, records and other information relating to the claim to the Committee and (c) upon request (and free of charge) be given reasonable access to and copies of documents and records and other information relevant to the claim. Upon receipt of timely, written application for review, the Committee shall undertake a review, taking into account all comments, documents, records and information submitted by the Participant or considered in the initial benefit determination. If the Participant fails to appeal the initial benefit determination in writing within the prescribed period of time, then the Committee's prior determination shall be final, binding and conclusive.

The Committee will render a decision upon review no later than sixty (60) days after receipt of the written request for review. If special circumstances (such as the need to hold a hearing on any matter pertaining to the denied claim) warrant additional time, the decision will be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the written request for review. Written notice specifying the circumstances requiring an extension of time will be furnished to the Participant prior to the expiration of the sixty (60) day period. The decision of the Committee on review will be in writing and will include specific reasons for the decision and specific references to the pertinent provisions of the Plan on which the decision is based, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA. If the decision on review is not furnished to the Participant within the time limits prescribed above, the claim will be deemed denied on review.

X. AMENDMENT AND TERMINATION

The Plan may be amended at any time by action of the Committee; *provided, however*, that no amendment shall be effective with respect to any Participant without the Participant's consent if the amendment adversely affects the Participants rights under the Plan or the Participant's obligations under Article VI. In addition, the Committee may not revoke a Participant's designation as a Participant (except in the case that the Participant's continued participation in the Plan would prevent the Plan from satisfying the requirements for exemption under ERISA for plans maintained primarily for a select group of management or highly compensated employees). In addition, the Committee may not change a Tier I Participant's designation to a Tier II Participant or Tier III Participant and may not change a Tier II Participant's designation to a Tier III Participant.

The Plan may be terminated at any time by action of the Committee or the Board; *provided, however*, that a termination of the Plan shall not affect the rights of a Participant whose employment was terminated or ended as provided in Article IV before the date of the Plan termination and *provided further* that the Plan may not be amended or terminated with respect to any Participant without the Participant's consent within twelve (12) months after a Control Change Date.

XI. GENERAL

11.01. No Employment Rights. The Plan, and a Participant's participation in the Plan, does not confer on any Participant any right to continued employment by the Company or an Affiliate. Nothing in the Plan shall restrict the right of the Company or an Affiliate to terminate the employment of any Participant at any time for any reason or no reason.

11.02. No Assignment. The benefits payable under the Plan are not subject to anticipation, alienation, pledge, sale, transfer, assignment, garnishment, attachment, or other transfer and any attempt to cause such transfer shall not be recognized except to the extent required by law.

11.03. Severability. If any provision of the Plan is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or other controlling law, the remainder of the Plan shall continue in full force and effect.

11.04. Unfunded Obligation. The benefits payable under the Plan are unfunded obligations of the Company and shall be paid from the general assets of the Company. No Participant has any right in or title to any assets, funds or property of the Company with respect to the payment of Plan benefits and each Participant is a general unsecured creditor of the Company with respect to any Plan benefits that may become payable to the Participant.

11.05. Death of Participant. If a Participant becomes entitled to receive Plan benefits but dies before all of the Plan benefits have been paid to the Participant, any remaining Plan benefits shall be paid to the estate of the Participant.

11.06. Governing Law. The Plan shall be governed and construed in accordance with the laws of the State of Maryland except to the extent that the laws of the State of Maryland would require the application of the laws of another state and except to the extent that the laws of the State of Maryland are preempted by ERISA.

11.07. Successors. The Plan shall be binding on, and inure to the benefit of, the successors and personal representatives, legatees, heirs, etc. of a Participant and the successors to the Company.

Schedule A

Participant Name	Participation Date	Tier Designation
Louis Haddad	August 1, 2013	Tier I
Anthony Nero	August 1, 2013	Tier II
Eric Apperson	August 1, 2013	Tier II
Shelly Hampton	August 1, 2013	Tier II
Michael O’Hara	August 1, 2013	Tier II
John Davis	August 1, 2013	Tier II
Al Hunt	August 1, 2013	Tier II
Christopher Harvey	August 1, 2013	Tier III
Eric Smith	August 1, 2013	Tier III

EXHIBIT 10.3

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the ____ day of _____, 2013, by and between Armada Hoffler Properties, Inc., a Maryland corporation (the "Company"), and _____ ("Indemnitee"). See Schedule A for a list of officers and directors who have entered into this Indemnification Agreement with the Company.

WHEREAS, at the request of the Company, Indemnitee currently serves as **[a director] [and] [an officer]** of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of Indemnitee's service; and

WHEREAS, as an inducement to Indemnitee to serve or continue to serve in such capacity, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) "Change in Control" means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any "person" (as such term is used in Sections 3(a)(9), 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company's then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person's attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not individuals (A) who were directors as of the Effective Date or (B) whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election or nomination for election was previously so approved.

(b) “Corporate Status” means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company: (i) if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust or other enterprise (1) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (2) the management of which is controlled directly or indirectly by the Company and (ii) if, as a result of Indemnitee’s service to the Company or any of its affiliated entities, Indemnitee is subject to duties by, or required to perform services for, an employee benefit plan or its participants or beneficiaries, including as deemed fiduciary thereof.

(c) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) “Effective Date” means the date set forth in the first paragraph of this Agreement.

(e) “Expenses” means any and all reasonable and out-of-pocket attorneys’ fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements or expenses incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(f) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(g) “Proceeding” means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing

or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

Section 2. Services by Indemnitee. Indemnitee **[will serve][serves]** in the capacity or capacities set forth in the first WHEREAS clause above. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by the Maryland General Corporation Law (the "MGCL"), including, without limitation, Section 2-418(g) of the MGCL.

Section 4. Standard for Indemnification. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify Indemnitee against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding unless it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

Section 5. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable to the Company;

(b) indemnification hereunder if Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee, unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

Section 7. Indemnification for Expenses of an Indemnitee Who is Wholly or Partially Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of Indemnitee's Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, the Company shall indemnify Indemnitee for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 7 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for Indemnitee. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding. The Company shall make such advance within ten days after the receipt by the Company of a statement or statements requesting such advance from time to time, whether prior to or after final disposition of such Proceeding and may be in the form of, in the reasonable discretion of the Indemnitee (but without duplication), (a) payment

of such Expenses directly to third parties on behalf of Indemnitee, (b) advance of funds to Indemnitee in an amount sufficient to pay such Expenses or (c) reimbursement to Indemnitee for Indemnitee's payment of such Expenses. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Indemnification and Advance of Expenses as a Witness or Other Participant. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other person, and to which Indemnitee is not a party, Indemnitee shall be advanced and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting any such advance or indemnification from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. In connection with any such advance of Expenses, the Company may require Indemnitee to provide an undertaking and affirmation substantially in the form attached hereto as Exhibit A.

Section 10. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in Indemnitee's sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control has occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval shall not be unreasonably withheld; or (ii) if a Change in Control has not occurred, (A) by a majority vote of the Disinterested Directors or, by the majority vote of a group of Disinterested Directors designated by the Disinterested Directors to make the determination, (B) if Independent Counsel has been selected by the Board of Directors in

accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld or delayed, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee or (C) if so directed by the Board of Directors, by the stockholders of the Company other than directors or officers who are parties to the Proceeding. If it is so determined that Indemnitee is entitled to indemnification, the Company shall make payment to Indemnitee within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary or appropriate to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of overcoming that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of *nolo contendere* or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

Section 12. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Sections 8 or 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement

within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 7 or 9 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, or to arbitration conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association, of Indemnitee's entitlement to indemnification or advance of Expenses. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce Indemnitee's rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification that was not introduced into evidence in connection with the determination.

(d) In the event that Indemnitee is successful in seeking, pursuant to this Section 12, a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by

Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(e) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth day after the date on which the Company was requested to advance Expenses in accordance with Sections 8 or 9 of this Agreement or the 60th day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 10(b) of this Agreement, as applicable, and (ii) ending on the date such payment is made to Indemnitee by the Company.

Section 13. Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by Indemnitee under Section 12 of this Agreement.

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld or delayed, that Indemnitee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld or delayed, that an actual or apparent conflict of interest or potential conflict of interest

exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of the charter or Bylaws of the Company, this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 15. Insurance.

(a) The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of Indemnitee's Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of Indemnitee's Corporate Status. In the event of a Change in Control, the Company shall maintain in force any and all directors and officers liability insurance policies that were maintained by the Company immediately prior to the Change in Control for a period of 6 years with the insurance carrier or carriers and through the insurance broker in place at the time of the

Change in Control; provided, however, (i) if the carriers will not offer the same policy and an expiring policy needs to be replaced, a policy substantially comparable in scope and amount shall be obtained and (ii) if any replacement insurance carrier is necessary to obtain a policy substantially comparable in scope and amount, such insurance carrier shall have an AM Best rating that is the same or better than the AM Best rating of the existing insurance carrier; provided, further, however, in no event shall the Company be required to expend in the aggregate in excess of 300% of the annual premium or premiums paid by the Company for directors and officer liability insurance in effect on the date of the Change in Control. In the event that 300% of the annual premiums paid by the Company for such existing directors and officers liability insurance is insufficient for such coverage, the Company shall spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

(b) Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee which would otherwise be indemnifiable hereunder arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to Section 15(a). The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

(c) The Indemnitee shall cooperate with the Company or any insurance carrier of the Company with respect to any Proceeding.

Section 16. Coordination of Payments. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 17. Contribution. If the indemnification provided in this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason, other than for failure to satisfy the standard of conduct set forth in Section 4 or due to the provisions of Section 5, then, in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for Expenses, judgments, penalties, and/or amounts paid or to be paid in settlement, in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

Section 18. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 19. Duration of Agreement; Binding Effect.

(a) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement).

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(d) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the

necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 20. Severability. If any provision or provisions of this Agreement shall be held to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 21. Identical Counterparts. This Agreement may be executed in one or more counterparts (delivery of which may be by facsimile, or via email as a portable document format (.pdf.)), each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 22. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 23. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor, unless otherwise expressly stated, shall such waiver constitute a continuing waiver.

Section 24. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the day of such delivery, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

Armada Hoffler Properties, Inc.
Attn: Corporate Secretary
222 Central Park Avenue
Suite 2100
Virginia Beach, Virginia 23462

with a copy to (which shall not constitute notice):

Hunton & Williams LLP
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, VA 23219
Attention: David C. Wright, Esq.

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 25. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

ARMADA HOFFLER PROPERTIES, INC.

By: _____
Name:
Title:

INDEMNITEE

_____

Name:
Address:

EXHIBIT A

AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

To: The Board of Directors of Armada Hoffler Properties, Inc.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the __ day of _____, 20__, by and between Armada Hoffler Properties, Inc., a Maryland corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director]** [**and**] **[an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ____ day of _____, 20__.

Name: _____

Schedule A

Indemnitee	Date
Daniel A. Hoffler	May 13, 2013
A. Russell Kirk	May 13, 2013
John W. Snow	May 13, 2013
George F. Allen	May 13, 2013
James A. Carroll	May 13, 2013
James C. Cherry	May 13, 2013
Louis S. Haddad	May 13, 2013
Anthony P. Nero	May 13, 2013
Eric E. Apperson	May 13, 2013
Shelly R. Hampton	May 13, 2013
Michael P. O’Hara	May 13, 2013
John C. Davis	May 13, 2013
Alan R. Hunt	May 13, 2013
W. Christopher Harvey	May 13, 2013
Eric L. Smith	May 13, 2013

EXHIBIT 10.4

TAX PROTECTION AGREEMENT

THIS TAX PROTECTION AGREEMENT (this "Agreement") is made and entered into as of May 13, 2013 by and among ARMADA HOFFLER PROPERTIES, INC., a Maryland corporation (the "REIT"), ARMADA HOFFLER, L.P., a Virginia limited partnership (the "Partnership"), and the contributors listed on the signature page to this Agreement (the "Contributors").

WHEREAS, pursuant to those certain Contribution Agreements, dated as of January 28, 2013, January 31, 2013, February 1, 2013, February 11, 2013, February 12, 2013 and February 16, 2013 (the "Contribution Agreements"), the Contributors are contributing (the "Contribution"), as applicable, their partnership interests in New Armada Hoffler Properties I, LLC, a Virginia limited liability company, New Armada Hoffler Properties II, LLC, a Virginia limited liability company, and certain other entities which are the direct or indirect owners of the respective properties described on Exhibit A to the Contribution Agreements, to the Partnership in exchange for common partnership units of limited partnership interest in the Partnership ("Units");

WHEREAS, it is intended for federal income tax purposes that the Contribution for Units will be treated as a tax-deferred contribution of assets to the Partnership for Units under Section 721 of the Code;

WHEREAS, in consideration for the agreement of the Contributors to make the Contribution, the parties desire to enter into this Agreement regarding certain tax matters as set forth herein; and

WHEREAS, the REIT and the Partnership desire to evidence their agreement regarding amounts that may be payable in the event of certain actions being taken by the Partnership regarding the disposition of certain of the contributed assets and regarding certain minimum debt obligations of the Partnership and its subsidiaries.

NOW, THEREFORE, in consideration of the promises and the mutual representations, warranties, covenants and agreements contained herein and in the Contribution Agreements, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

To the extent not otherwise defined herein, capitalized terms used in this Agreement have the meanings ascribed to them in the Partnership Agreement (as defined below).

"Accounting Firm" has the meaning set forth in the Section 4.2.

"Agreement" has the meaning set forth in the Preamble.

"Applicable Percentage" means, with respect to each Gain Limitation Property, the percentage applied to the Protected Gain to determine the amount of monetary damages per Section 4.1(a), as set forth on Schedule 2.1(d).

"Bottom Guarantee" has the meaning set forth in Section 3.1.

"Cash Consideration" has the meaning set forth in Section 2.1(a).

"Closing Date" means the date on which the Contribution will be effective.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contribution" has the meaning set forth in the Recitals.

"Contribution Agreements" has the meaning set forth in the Recitals.

"Contributors" has the meaning set forth in the Preamble.

"Deficit Restoration Obligation" means a written obligation by a Protected Partner to restore part or all of its deficit capital account in the Partnership upon the occurrence of certain events (which written obligation may provide for an indemnity in favor of the REIT as general partner of the Partnership).

"Gain Limitation Property" means (i) each of the properties identified on Schedule 2.1(b)(i) and Schedule 2.1(b)(ii) hereto as a Gain Limitation Property; (ii) any direct or indirect interest owned by the Partnership in any entity that owns an interest in a Gain Limitation Property, if the disposition of that interest would result in the recognition of Protected Gain by a Protected Partner; and (iii) any other property that the Partnership directly or indirectly receives that is in whole or in part a "substituted basis property" as defined in Section 7701(a)(42) of the Code with respect to a Gain Limitation Property.

"Guaranteed Amount" means the aggregate amount of each Guaranteed Debt that is guaranteed at any time by Partner Guarantors.

"Guaranteed Debt" means any loans incurred (or assumed) by the Partnership or any of its subsidiaries that are guaranteed by Partner Guarantors at any time after the Closing Date pursuant to Article 3 hereof.

"Indirect Owner" means, in the case of a Protected Partner that is an entity that is classified as a partnership, disregarded entity or subchapter S corporation for federal income tax purposes, any person owning an equity interest in such Protected Partner, and in the case of any Indirect Owner that itself is an entity that is classified as a partnership, disregarded entity or subchapter S corporation for federal income tax purposes, any person owning an equity interest in such entity.

"Minimum Liability Amount" means, for each Protected Partner, the amount set forth next to such Protected Partner's name on Schedule 3.1(a) hereto, of which an aggregate of $325,000 will be guaranteed by the Partner Guarantors pursuant to Section 3.1

immediately after the Closing Date. The aggregate Minimum Liability Amount shall not exceed $103,000,000. To the extent negative tax capital accounts of the Protected Partners, determined as of the Closing Date, exceed $103,000,000, the Minimum Liability Amounts of the Protected Partners shall be reduced pro rata such that the aggregate Minimum Liability Amount equals $103,000,000.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulations Section 1.752-1(a)(2).

"Partner Guarantors" means those Protected Partners who have guaranteed any portion of the Guaranteed Debt.

"Partnership" has the meaning set forth in the Preamble.

"Partnership Agreement" means the First Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of May 13, 2013, as amended, and as the same may be further amended in accordance with the terms thereof.

"Partnership Interest Consideration" has the meaning set forth in Section 2.1(a).

"Protected Gain" shall mean the gain that would be allocable to and recognized by a Protected Partner for federal income tax purposes under Section 704(c) of the Code in the event of the sale of a Gain Limitation Property in a fully taxable transaction. The initial amount of Protected Gain with respect to each Protected Partner shall be determined as if the Partnership sold each Gain Limitation Property in a fully taxable transaction on the Closing Date for consideration equal to the Section 704(c) Value of such Gain Limitation Property on the Closing Date, and is set forth on Schedule 2.1(b)(i) and Schedule 2.1(b)(ii) hereto. Gain that would be allocated to a Protected Partner upon a sale of a Gain Limitation Property that is "book gain" (for example, any gain attributable to appreciation in the actual value of the Gain Limitation Property following the Closing Date or any gain resulting from reductions in the "book value" of the Gain Limitation Property following the Closing Date) shall not be considered Protected Gain. As used in this definition, "book gain" is any gain that would not be required under Section 704(c) of the Code and the applicable regulations to be specially allocated to the Protected Partners for federal income tax purposes.

"Protected Partner" means those persons set forth as Protected Partners on Schedule 2.1(a), and any person who (i) acquires Units from a Protected Partner in a transaction in which gain or loss is not recognized in whole or in part and in which such transferee's adjusted basis for federal income tax purposes is determined in whole or in part by reference to the adjusted basis of the Protected Partner in such Units, (ii) has notified the Partnership of its status as a Protected Partner and (iii) provides all documentation reasonably requested by the Partnership to verify such status, but excludes any person that ceases to be a Protected Partner pursuant to this Agreement.

"Section 704(c) Value" means the fair market value of any Gain Limitation Property as of the Closing Date, as determined by the Partnership and as set forth next to each Gain Limitation Property on Schedule 2.1(c) hereto. Notwithstanding the preceding sentence, with respect to each Gain Limitation Property, the Section 704(c) Value shall not exceed the "Maximum Agreed Value" set forth next to each Gain Limitation Property on Schedule 2.1(c) hereto.

"Subsidiary" means any entity in which the Partnership owns a direct or indirect interest that owns a Gain Limitation Property on the Closing Date or that thereafter is a successor to the Partnership's direct or indirect interests in a Gain Limitation Property.

"Successor Partnership" has the meaning set forth in Section 2.1(b).

"Tax Protection Period" means, (i) with respect to Article II of this Agreement, (X) with respect to the Gain Limitation Properties set forth on Schedule 2.1(b)(i), the period commencing on the Closing Date and ending at 12:01 AM on May 13 2023, and (Y) with respect to the Gain Limitation Properties set forth on Schedule 2.1(b)(ii), the period commencing on the Closing Date and ending at 12:01 AM on May 13 2020, and (ii) with respect to Article III of this Agreement, the period commencing on the Closing Date and ending at 12:01 AM on May 13, 2023.

"Units" has the meaning set forth in the Recitals.

ARTICLE 2
RESTRICTIONS ON DISPOSITIONS OF GAIN LIMITATION PROPERTIES

2.1 Restrictions on Disposition of Gain Limitation Properties.

(a) The Partnership agrees for the benefit of each Protected Partner, for the term of the Tax Protection Period, not to directly or indirectly sell, exchange, transfer, or otherwise dispose of a Gain Limitation Property or any interest therein, without regard to whether such disposition is voluntary or involuntary, in a transaction that would cause any Protected Partner to recognize any Protected Gain.

Without limiting the foregoing, the term "sale, exchange, transfer or disposition" by the Partnership shall be deemed to include, and the prohibition shall extend to:

(i) any direct or indirect disposition by any direct or indirect Subsidiary of any Gain Limitation Property or any interest therein;

(ii) any direct or indirect disposition by the Partnership of any Gain Limitation Property (or any direct or indirect interest therein) that is subject to Section 704(c)(1)(B) of the Code and the Treasury Regulations thereunder; and

(iii) any distribution by the Partnership to a Protected Partner that is subject to Section 737 of the Code and the Treasury Regulations thereunder.

Without limiting the foregoing, a disposition shall include any transfer, voluntary or involuntary, by the Partnership or any Subsidiary in a foreclosure proceeding, pursuant to a deed in lieu of foreclosure, or in a bankruptcy proceeding.

Notwithstanding the foregoing, this Section 2.1 shall not apply to a voluntary, actual disposition by a Protected Partner of Units in connection with a merger or consolidation of the Partnership pursuant to which (1) the Protected Partner is offered as consideration for the Units either cash or property treated as cash pursuant to Section 731 of the Code ("Cash Consideration") or partnership interests and the receipt of such partnership interests would not result in the recognition of gain for federal income tax purposes by the Protected Partner ("Partnership Interest Consideration"); (2) the Protected Partner has the right to elect to receive solely Partnership Interest Consideration in exchange for his Units, and the continuing partnership has agreed in writing to assume the obligations of the Partnership under this Agreement; (3) no Protected Gain is recognized by the Partnership as a result of any partner of the Partnership receiving Cash Consideration; and (4) the Protected Partner elects or is deemed to elect to receive solely Cash Consideration.

(b) Notwithstanding the restriction set forth in this Section 2.1, the Partnership and any Subsidiary may dispose of any Gain Limitation Property (or any interest therein) if such disposition qualifies as a "like-kind exchange" under Section 1031 of the Code, or an involuntary conversion under Section 1033 of the Code, or other transaction (including, but not limited to, a contribution of property to any entity that qualifies for the non-recognition of gain under Section 721 or Section 351 of the Code, or a merger or consolidation of the Partnership with or into another entity that qualifies for taxation as a "partnership" for federal income tax purposes (a "Successor Partnership")) that, as to each of the foregoing, does not result in the recognition of any taxable income or gain to any Protected Partner with respect to any of the Units; *provided*, *however*, that in the case of a "like-kind exchange" under Section 1031 of the Code, if such exchange is with a "related party" within the meaning of Section 1031(f)(3) of the Code, any direct or indirect disposition by such related party of the Gain Limitation Property or any other transaction prior to the expiration of the two (2) year period following such exchange that would cause Section 1031(f)(1) of the Code to apply with respect to such Gain Limitation Property (including by reason of the application of Section 1031(f)(4) of the Code) shall be considered a violation of this Section 2.1 by the Partnership.

ARTICLE 3
ALLOCATION OF LIABILITIES; GUARANTEE AND DEFICIT RESTORATION OBLIGATION OPPORTUNITY; NOTIFICATION OF REDUCTION OF LIABILITIES; COOPERATION REGARDING ADDITIONAL ALLOCATION OF LIABILITIES

3.1 Minimum Liability Allocation.

(a) During the Tax Protection Period, the Partnership will offer to each Protected Partner the opportunity, in the Partnership's discretion, either (i) to enter into a "bottom dollar guarantee" of certain liabilities of the Partnership (substantially in the form set forth in Schedule 3.1(b)) pursuant to which the lender for the guaranteed liability is required to pursue all other collateral and security for the guaranteed liability (other than any "bottom dollar guarantees") prior to seeking to collect on such a guarantee, and the lender shall have recourse against the guarantor only if, and solely to the extent that, the total amount recovered by the lender with respect to the guaranteed liability after the lender has exhausted its remedies is less than the

aggregate of the guaranteed amounts with respect to such liability, and the maximum aggregate liability of each partner for all guaranteed liabilities shall be limited to the amount actually guaranteed by such partner (a "Bottom Guarantee") or (ii) to enter into a Deficit Restoration Obligation, in such amount or amounts so as to cause a special allocation of partnership liabilities to such Protected Partner for purposes of Section 752 of the Code such that the Protected Partner's allocable share of Partnership liabilities equals such Protected Partner's Minimum Liability Amount and to cause a special allocation of partnership liabilities for purposes of Section 465 of the Code that increases the Protected Partner's "at risk" amount such that the Protected Partner's "at-risk" amount equals such Protected Partner's Minimum Liability Amount. In order to minimize the need for Protected Partners to enter into such Bottom Guarantees or Deficit Restoration Obligations, the Partnership will use the additional method under Treasury Regulations Section 1.752-3(a)(3) to allocate Nonrecourse Liabilities considered secured by a Gain Limitation Property to the Protected Partners to the extent that the "built-in gain" with respect to those properties exceeds the amount of the Nonrecourse Liabilities considered secured by such Gain Limitation Property allocated to the Protected Partners under Treasury Regulations Section 1.752-3(a)(2). In the event that applicable Treasury Regulations (the "Applicable Rules") are issued which modify the requirements for bottom dollar guarantees to be effective in causing special allocations of partnership liabilities to Protected Partners for purposes of Section 752 of the Code and/or Section 465 of the Code, the Partnership, at its option and in its sole discretion, may agree to work with the Protected Partners together to modify such bottom guarantees to the extent necessary such that they will be effective under the Applicable Rules.

(b) Following the Tax Protection Period, the Partnership, at its option and in its sole discretion, may continue to make available the Bottom Guarantee and/or Deficit Restoration Obligation opportunities provided for in Section 3.1(a) above, provided that Partnership shall be under no obligation to do so.

3.2 Notification Requirement. During the Tax Protection Period, the Partnership shall provide prior written notice to a Protected Partner if the Partnership intends to repay, retire, refinance or otherwise reduce (other than due to scheduled amortization) the amount of liabilities with respect to a Gain Limitation Property in a manner that would cause a Protected Partner to recognize gain for federal income tax purposes as a result of a decrease of the Protected Partner's share of Partnership liabilities below the Minimum Liability Amount (determined as of the Closing Date)

3.3 Additional Allocation of Liabilities. If the Partnership provides notice to a Protected Partner pursuant to Section 3.2, the Partnership shall cooperate with the Protected Partner to arrange an additional allocation of liabilities of the Partnership to the Protected Partner in such amount or amounts so as to increase the amount of partnership liabilities allocated to such Protected Partner for purposes of Section 752 of the Code by an amount necessary to prevent the Protected Partner from recognizing gain for federal income tax purposes up to the Minimum Liability Amount (determined as of the Closing Date) as a result of the intended repayment, retirement, refinancing or other reduction (other than scheduled amortization) in the amount of liabilities with respect to a Gain Limitation Property, including, without limitation, offering to the Protected Partner the opportunity, in the Partnership's discretion, either (i) to enter into additional Bottom Guarantees (substantially in the form set forth in Schedule 3.1(b)) or (ii)

to enter into additional Deficit Restoration Obligations, in either case to the extent of the amount of the Minimum Liability Amount (determined as of the Closing Date). In order to minimize the need to make additional special allocations of liabilities of the Partnership pursuant to the preceding sentence, the Partnership will use the additional method under Treasury Regulations Section 1.752-3(a)(3) to allocate Nonrecourse Liabilities considered secured by a Gain Limitation Property to the Protected Partner to the extent that the "built-in gain" with respect to those properties exceeds the amount of the Nonrecourse Liabilities considered secured by such Gain Limitation Property and allocated to the Protected Partner under Treasury Regulations Section 1.752-3(a)(2).

3.4 Deficit Restoration Obligation. The Partnership will maintain an amount of indebtedness of the Partnership that is considered "recourse" indebtedness (taking into account all of the facts and circumstances related to the indebtedness, the Partnership and the general partner) equal to or greater than the sum of the amounts subject to a Deficit Restoration Obligation of all Protected Partners and other partners in the Partnership. The Deficit Restoration Obligation shall be conclusively presumed to cause the Protected Partner to be allocated an amount of liabilities equal to the Deficit Restoration Obligation amount of such Protected Partner for purposes of Sections 465 and 752 of the Code, *provided that* (1) the Partnership maintains an amount of debt that is considered "recourse" indebtedness (determined for purposes of Section 752 of the Code and taking into account all of the facts and circumstances related to the indebtedness, the Partnership and the general partner) equal to the aggregate Deficit Restoration Obligation amounts of all partners of the Partnership and (2) all other terms and conditions of the Partnership Agreement with respect to such Deficit Restoration Obligation are met.

ARTICLE 4
REMEDIES FOR BREACH

4.1 Monetary Damages. In the event that the Partnership breaches its obligations set forth in Article 2 or Article 3, with respect to a Protected Partner, the Protected Partner's sole remedy shall be to receive from the Partnership, and the Partnership shall pay to such Protected Partner as damages, an amount equal to:

(a) in the case of a violation of Article 2, the aggregate federal, state, and local income taxes incurred by the Protected Partner or an Indirect Owner with respect to the Protected Gain that is allocable to such Protected Partner under the Partnership Agreement as a result of the disposition of the Gain Limitation Property times the Applicable Percentage; and

(b) in the case of a violation of Article 3, the aggregate federal, state and local income taxes incurred by the Protected Partner or an Indirect Owner as a result of the income or gain allocated to, or otherwise recognized by, such Protected Partner with respect to its Units by reason of such breach.

plus in the case of either (a) or (b), an amount equal to the aggregate federal, state, and local income taxes payable by the Protected Partner or an Indirect Owner as a result of the receipt of any payment required under this Section 4.1.

For the avoidance of doubt, so long as the Partnership provides the opportunities referenced in Sections 3.1 and 3.3 and complies with the notification requirement of Section 3.2, the Partnership shall have no liability pursuant to this Section 4.1 in the event it is determined that a Protected Partner has not been specially allocated for purposes of Section 752 of the Code an amount of partnership liabilities equal to such Protected Partner's Minimum Liability Amount or is not treated as receiving a special allocation of partnership liabilities for purposes of Section 465 of the Code that increases such Protected Partner's "at risk" amount by an amount equal to such Protected Partner's Minimum Liability Amount. Furthermore, the Partnership shall have no liability pursuant to this Section 4.1 if the Partnership merges into another entity treated as a partnership for federal income tax purposes or the Protected Partner accepts an offer to exchange its Units for equity interests in another entity treated as a partnership for federal income tax purposes so long as, in either case, such successor entity assumes or agrees to assume the Partnership's obligations pursuant to this Agreement.

For purposes of computing the amount of federal, state, and local income taxes required to be paid by a Protected Partner (or Indirect Owner), (i) any deduction for state income taxes payable as a result thereof actually allowed in computing federal income taxes shall be taken into account, and (ii) a Protected Partner's (or Indirect Owner's) tax liability shall be computed using the highest federal, state and local marginal income tax rates that would be applicable to such Protected Partner's (or Indirect Owner's) taxable income (taking into account the character and type of such income or gain) for the year with respect to which the taxes must be paid, without regard to any deductions, losses or credits that may be available to such Protected Partner (or Indirect Owner) that would reduce or offset its actual taxable income or actual tax liability if such deductions, losses or credits could be utilized by the Protected Partner (or Indirect Owner) to offset other income, gain or taxes of the Protected Partner (or Indirect Owner), either in the current year, in earlier years, or in later years.

4.2 Process for Determining Damages. If the Partnership has breached or violated any of the covenants set forth in Article 2 or Article 3 (or a Protected Partner asserts that the Partnership has breached or violated any of the covenants set forth in Article 2 or Article 3), the Partnership and the Protected Partner (or Indirect Owner) agree to negotiate in good faith to resolve any disagreements regarding any such breach or violation and the amount of damages, if any, payable to such Protected Partner (or Indirect Owner) under Section 4.1. If any such disagreement cannot be resolved by the Partnership and such Protected Partner (or Indirect Owner) within sixty (60) days after the receipt of notice from the Partnership of such breach and the amount of income to be recognized by reason thereof (or, if applicable, receipt by the Partnership of an assertion by a Protected Partner that the Partnership has breached or violated any of the covenants set forth in Article 2 or Article 3), the Partnership and the Protected Partner shall jointly retain a nationally recognized independent public accounting firm (an "Accounting Firm") to act as an arbitrator to resolve as expeditiously as possible all points of any such disagreement (including, without limitation, whether a breach of any of the covenants set forth in Article 2 or Article 3, has occurred and, if so, the amount of damages to which the Protected Partner is entitled as a result thereof, determined as set forth in Section 4.1). All determinations made by the Accounting Firm with respect to the resolution of any breach or violation of any of the covenants set forth in Article 2 or Article 3 and the amount of damages payable to the Protected Partner under Section 4.1 shall be final, conclusive and binding on the Partnership and the Protected Partner. The fees and expenses of any Accounting Firm incurred in connection

with any such determination shall be shared equally by the Partnership and the Protected Partner, *provided that* if the amount determined by the Accounting Firm to be owed by the Partnership to the Protected Partner is more than five percent (5%) higher than the amount proposed by the Partnership to be owed to such Protected Partner prior to the submission of the matter to the Accounting Firm, then all of the fees and expenses of any Accounting Firm incurred in connection with any such determination shall be paid by the Partnership and if the amount determined by the Accounting Firm to be owed by the Partnership to the Protected Partner is more than five percent (5%) less than the amount proposed by the Partnership to be owed to such Protected Partner prior to the submission of the matter to the Accounting Firm, then all of the fees and expenses of any Accounting Firm incurred in connection with any such determination shall be paid by the Protected Partner.

4.3 Required Notices; Time for Payment. In the event that there has been a breach of Article 2 or Article 3, the Partnership shall provide to each affected Protected Partner notice of the transaction or event giving rise to such breach not later than at such time as the Partnership provides to the Protected Partners the IRS Schedule K-1's to the Partnership's federal income tax return for the year of such transaction. All payments required to be made under this Article 4 to any Protected Partner shall be made to such Protected Partner on or before April 15 of the year following the year in which the gain recognition event giving rise to such payment took place; *provided that*, if the Protected Partner is required to make estimated tax payments that would include such gain (taking into account all available safe harbors), the Partnership shall make a payment to the Protected Partner on or before the due date for such estimated tax payment and such payment from the Partnership shall be in an amount that corresponds to the amount of the estimated tax being paid by such Protected Partner at such time as a result of the gain recognition event. In the event of a payment made after the date required pursuant to this Section 4.3, interest shall accrue on the aggregate amount required to be paid from such date to the date of actual payment at a rate equal to the "prime rate" of interest, as published in the Wall Street Journal (or if no longer published there, as announced by Citibank) effective as of the date the payment is required to be made.

ARTICLE 5
SECTION 704(C) METHOD AND ALLOCATIONS

Notwithstanding any provision of the Partnership Agreement, the Partnership shall use the "traditional method" under Treasury Regulations Section 1.704-3(b) for purposes of making all allocations under Section 704(c) of the Code with respect to any Gain Limitation Property.

ARTICLE 6
AMENDMENT OF THIS AGREEMENT; WAIVER OF CERTAIN PROVISIONS

6.1 Amendment. This Agreement may not be amended, directly or indirectly (including by reason of a merger between either the Partnership or the REIT and another entity) except by a written instrument signed by the REIT, the Partnership, and each of the Protected Partners to be subject to such amendment, except that the Partnership may amend Schedules 2.1(a) and 3.1(a) upon a person becoming a Protected Partner as a result of a transfer of Units.

6.2 Waiver. Notwithstanding the foregoing, upon written request by the Partnership, each Protected Partner, in its sole discretion, may waive the payment of any damages that is otherwise payable to such Protected Partner pursuant to Article 4 hereof. Such a waiver shall be effective only if obtained in writing from the affected Protected Partner.

ARTICLE 7
MISCELLANEOUS

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

7.2 Assignment. No party hereto shall assign its or his rights or obligations under this Agreement, in whole or in part, except by operation of law, without the prior written consent of the other parties hereto, and any such assignment contrary to the terms hereof shall be null and void and of no force and effect.

7.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Protected Partners and their respective successors and permitted assigns, whether so expressed or not. This Agreement shall be binding upon the REIT, the Partnership, and any entity that is a direct or indirect successor, whether by merger, transfer, spin-off or otherwise, to all or substantially all of the assets of either the REIT or the Partnership (or any prior successor thereto as set forth in the preceding portion of this sentence), *provided that* none of the foregoing shall result in the release of liability of the REIT and the Partnership hereunder. The REIT and the Partnership covenant with and for the benefit of the Protected Partners not to undertake any transfer of all or substantially all of the assets of either entity (whether by merger, transfer, spin-off or otherwise) unless the transferee has acknowledged in writing and agreed in writing to be bound by this Agreement, *provided that* the foregoing shall not be deemed to permit any transaction otherwise prohibited by this Agreement.

7.4 Modification; Waiver. No failure or delay on the part of any party hereto in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and not exclusive of any rights or remedies which they would otherwise have. No modification or waiver of any provision of this Agreement, nor consent to any departure by any party therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

7.5 Representations and Warranties Regarding Authority; Noncontravention. Each of the REIT and the Partnership has the requisite corporate or other (as the case may be) power and

authority to enter into this Agreement and to perform its respective obligations hereunder. The execution and delivery of this Agreement by each of the REIT and the Partnership and the performance of each of its respective obligations hereunder have been duly authorized by all necessary trust, partnership, or other (as the case may be) action on the part of each of the REIT and the Partnership. This Agreement has been duly executed and delivered by each of the REIT and the Partnership and constitutes a valid and binding obligation of each of the REIT and the Partnership, enforceable against each of the REIT and the Partnership in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy or insolvency laws (or other laws affecting creditors' rights generally) or (ii) general principles of equity. The execution and delivery of this Agreement by each of the REIT and the Partnership do not, and the performance by each of its respective obligations hereunder will not, conflict with, or result in any violation of (i) the Partnership Agreement or (ii) any other agreement applicable to the REIT and/or the Partnership, other than, in the case of clause (ii), any such conflicts or violations that would not materially adversely affect the performance by the Partnership and the REIT of their obligations hereunder.

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

7.7 Notices. All notices and other communications given or made pursuant hereto shall be in writing, shall be deemed to have been duly given or made as of the date delivered, mailed or transmitted, and shall be effective upon receipt, if delivered personally, mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like changes of address) or sent by electronic transmission to the telecopier number specified below:

(i) if to the Partnership or the REIT, to:

Armada Hoffler Properties, Inc.
222 Central Park Avenue, Suite 2100
Virginia Beach, Virginia 23462
Attention: Mr. Michael P. O'Hara
Fax No.: 757-424-2513

(ii) if to a Protected Partner, to the address on file with the Partnership.

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

7.8 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

7.9 Governing Law. The interpretation and construction of this Agreement, and all matters relating thereto, shall be governed by the laws of the Commonwealth of Virginia, without regard to the choice of law provisions thereof.

7.10 Consent to Jurisdiction; Enforceability.

7.10.1 This Agreement and the duties and obligations of the parties hereunder shall be enforceable against any of the parties in the courts of the Commonwealth of Virginia. For such purpose, each party hereto and the Protected Partners hereby irrevocably submits to the nonexclusive jurisdiction of such courts and agrees that all claims in respect of this Agreement may be heard and determined in any of such courts.

7.10.2 Each party hereto hereby irrevocably agrees that a final judgment of any of the courts specified above in any action or proceeding relating to this Agreement shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

7.11 Severability. If any part of any provision of this Agreement shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Agreement.

7.12 Costs of Disputes. Except as otherwise expressly set forth in this Agreement, the nonprevailing party in any dispute arising hereunder shall bear and pay the costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by the prevailing party or parties in connection with resolving such dispute.

7.13 Enforcement by Protected Partners. The Protected Partners are the beneficiaries of this Agreement and shall be able to enforce this Agreement as if they were parties to this Agreement.

IN WITNESS WHEREOF, the REIT, the Partnership and the Contributors have caused this Agreement to be signed by their respective officers, general partners, or delegates thereunto duly authorized all as of the date first written above.

ARMADA HOFFLER PROPERTIES, INC.,
a Maryland corporation

By: /s/ Louis S. Haddad
Name: Louis S. Haddad
Title: President and Chief Executive Officer

ARMADA HOFFLER, L.P.,
a Virginia limited partnership

By: Armada Hoffler Properties, Inc.,
a Maryland corporation,
its General Partner

By: /s/ Louis S. Haddad
Name: Louis S. Haddad
Title: President and Chief Executive Officer

/s/ Daniel A. Hoffler
Daniel A. Hoffler

/s/ A. Russell Kirk
A. Russell Kirk

/s/ Anthony P. Nero
Anthony P. Nero

/s/ John E. Babb
John E. Babb

/s/ Michael P. O'Hara
Michael P. O'Hara

/s/ William Christopher Harvey
William Christopher Harvey

/s/ Alan R. Hunt
Alan R. Hunt

/s/ Rickard E. Burnell
Rickard E. Burnell

/s/ Louis S. Haddad
Louis S. Haddad

/s/ John C. Davis
John C. Davis

/s/ Eric E. Apperson
Eric E. Apperson

/s/ Shelly R. Hampton
Shelly R. Hampton

/s/ Eric L. Smith
Eric L. Smith

A/H TWA ASSOCIATES, L.L.C., a Virginia limited liability company

By: /s/ A. Russell Kirk
A. Russell Kirk, Manager

RMJ KIRK FORTUNE BAY, L.L.C., a Virginia limited liability company

By: /s/ A. Russell Kirk
A. Russell Kirk, Manager

KIRK GAINSBOROUGH, L.L.C., a Virginia limited liability company

By: /s/ A. Russell Kirk
A. Russell Kirk, Manager

OYSTER POINT INVESTORS, L.P., a Virginia limited partnership

By: /s/ A. Russell Kirk
A. Russell Kirk, Manager

COLUMBUS ONE, LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

DP COLUMBUS TWO, LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

CITY CENTER ASSOCIATES, LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC BLOCK 7 PARTNERS LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC BLOCK 12 PARTNERS LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC BLOCK 3 PARTNERS LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC BLOCK 6 PARTNERS LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC BLOCK 8 PARTNERS LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC BLOCK 11 PARTNERS LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

TC APARTMENT PARTNERS, LLC, a Virginia limited liability company

By: /s/ Gerald S. Divaris
Gerald S. Divaris, Manager

DIAN, L.L.C., a Virginia limited liability company

By: /s/ Jerry L. Dickens
Jerry L. Dickens, Member Manager

BRUCE SMITH ENTERPRISES, LLC, a
Virginia limited liability company

By: /s/ Bruce B. Smith
Bruce B. Smith, Manager

BRUCE B. SMITH

/s/ Bruce B. Smith

REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT

This REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT (this "Agreement") is made and entered into as of May 13, 2013, and is effective as of the Closing Date (as defined herein), by and among Armada Hoffler Properties, Inc., a Maryland corporation (the "REIT"), Armada Hoffler, L.P., a Virginia limited partnership and subsidiary of the REIT (the "Operating Partnership", and collectively with the REIT, the "Acquirer"), and Daniel A. Hoffler (the "Principal"). Certain capitalized terms used herein are defined in Section 4.2 hereof.

RECITALS

WHEREAS, the Principal owns, directly or indirectly, record and beneficial ownership interests in each of the entities described on Schedule I attached hereto and incorporated by this reference (the "Contributed Entities"), which Contributed Entities are the direct or indirect owners of the respective properties described on Exhibit I (each, a "Property," and collectively, the "Properties") or the entities that own the Properties (the "Property Entities") also described on Exhibit I attached hereto;

WHEREAS, the REIT desires to acquire, through the Operating Partnership or one or more other subsidiaries of the REIT or the Operating Partnership, ownership of the Contributed Entities and, thereby, direct or indirect ownership of the Properties;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership is entering into a contribution agreement with the Principal (the "Contribution Agreement") and contribution agreements with the other owners of record and beneficial ownership interests of the Contributed Entities (the "Contributed Interests") (the Principal and such other owners, each, a "Contributor" and collectively, the "Contributors," and such agreements, each, a Contribution Agreement and collectively, the "Contribution Agreements"), pursuant to which each Contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of the Contributor's right, title and interest in the applicable Contributed Entities, and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of interests in the Contributed Entities;

WHEREAS, capitalized terms used but not elsewhere defined in this Agreement shall have the meaning ascribed to such terms in Section 4.2 hereof;

WHEREAS, the Formation Transactions (as defined herein) relate to the proposed underwritten initial public offering (the "IPO") of shares of common stock, par value $0.01 per share of the REIT (the "REIT Shares"), following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code;

WHEREAS, pursuant to the Formation Transaction Documentation, the Operating Partnership will pay a combination of cash, without interest, units of limited partnership interest in the Operating Partnership ("OP Units"), to the Contributors in exchange for their contribution of the Contributed Interests to the OP or its subsidiaries;

WHEREAS, the Principal, by way of his direct and indirect ownership of the Contributed Interests, will materially benefit from the consideration to be received by him from the Acquirer pursuant to his Contribution Agreement; and

WHEREAS, in order to induce the Acquirer to enter into the Formation Transaction Documentation, the Principal has agreed to provide certain representations, warranties and indemnities as set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

REPRESENTATION AND WARRANTIES

Except as disclosed in the Prospectus or in the schedules referenced in this Article I and attached hereto, the Principal represents and warrants to the Acquirer that, with respect to each of the Contributed Entities and its Subsidiaries and respective Properties, as of the Closing Date:

1.1 Organization; Authority. (a) Each of the Contributed Entities and Property Entities has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of organization and has all requisite power and authority to carry out the transactions contemplated by the Formation Transaction Documentation (as defined herein), and to own, lease and/or operate each Property owned, leased and/or operated by it and to carry on its business as presently conducted. Each Contributed Entity and Property Entity, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Properties make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Limited Partnership Agreement, Limited Liability Company Agreement and Operating Agreement, Articles of Incorporation, Charter or Bylaws, as applicable, of each Contributed Entity, as may have been amended from time to time, (each a "Governing Agreement" and collectively, the "Governing Agreements") a complete and accurate copy of which has been delivered to the Operating Partnership and its counsel, is in force and effect as of the date hereof, and has not been further modified or amended.

(b) Schedule 1.1(b) sets forth as of the date hereof with respect to each Contributed Entity and Property Entity (i) the ownership interests of the Contributed Entity and its Subsidiaries and Property Entity, (ii) the ownership interest of each Contributed Entity in each Subsidiary, if any, and, if not wholly owned by a Contributed Entity, the identity and ownership interest of each of the other owners of such Subsidiary, and (iii) each Property owned or leased pursuant to a ground lease by each Contributed Entity or its Subsidiaries and each Property

Entity. Each Subsidiary of the Contributed Entities has been duly organized and is validly existing and is in good standing under the Laws of its jurisdiction of organization, and has all requisite power and authority to own, lease and/or operate its Properties and other assets and to carry on its business as presently conducted. Each Subsidiary of the Contributed Entities, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Properties and other assets make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There are no rights to purchase, subscriptions, warrants, options, conversion rights or preemptive rights relating to the Contributed Interests or any equity interest in the Contributed Entities or the Property Entities, or any other security convertible into or exchangeable for such equity interests.

1.2 Due Authorization. Each agreement, document and instrument included in or contemplated by the Formation Transaction Documentation and executed and delivered by or on behalf of any Contributed Entity or Property Entity constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of such Contributed Entity or Property Entity, each enforceable against such Contributed Entity or Property Entity in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

1.3 Consents and Approvals. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by any Property Entity, Contributed Entity or Subsidiary in connection with the execution, delivery and performance of any of the agreements or documents included in or contemplated by the Formation Transaction Documentation and the transactions contemplated hereby and thereby.

1.4 No Violation. None of the execution, delivery or performance of any agreement or document included in or contemplated by the Formation Transaction Documentation nor the transactions contemplated hereby and thereby does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of any Property Entity, Contributed Entity or Subsidiary, (B) any agreement, document or instrument to which such Property Entity, Contributed Entity or Subsidiary or any of their respective assets or properties (including the Properties) is bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on such Property Entity, Contributed Entity or any Subsidiary.

1.5 Capitalization. All of the issued and outstanding equity interests of each Contributed Entity, Property Entity and Subsidiary are duly authorized, validly issued and fully paid and are not subject to preemptive rights or appraisal, dissenters' or other similar rights under the organizational documents of or any contract to which any Contributed Entity, Property Entity or its Subsidiaries is a party or otherwise bound.

1.6 Licenses and Permits. All notices, licenses, permits, certificates and authorizations required for the continued use, occupancy, management, leasing and operation of

the Properties have been obtained, are in full force and effect, are in good standing and (to the extent required in connection with the transactions contemplated by the Formation Transaction Documentation) are assignable to the Operating Partnership. No Property Entity, Contributed Entity, or Subsidiary or, to the Principal's Knowledge, any Contributor or third party has taken any action that (or failed to take any action the omission of which) would result in the revocation of any such notice, license, permit, certificate or authorization where such revocation or revocations would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, nor has any of them received any written notice of violation from any Governmental Authority or written notice of the intention of any entity to revoke any of such notice, license, permit, certificate or authorization, that in each case has not been cured or otherwise resolved to the satisfaction of such Governmental Authority except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

1.7 Litigation. Except for actions, suits or proceedings fully covered by policies of insurance, there is no action, suit or proceeding pending or, to the Principal's Knowledge, threatened against any Property Entity, Contributed Entity or any Contributor, Subsidiary or Property, which, if adversely determined, would, individually or together with all such other actions, reasonably be expected to have a Material Adverse Effect. There is no action, suit or proceeding pending or, to the Principal's Knowledge, threatened against any Property Entity, Contributed Entity, Subsidiary or any Contributor which challenges or impairs the ability of any Contributed Entity, Subsidiary or any Contributor to execute or deliver, or perform its obligations under any of the Formation Transaction Documentation or to consummate the transactions contemplated hereby and thereby. There is no judgment, decree, injunction, or order of a Governmental Authority outstanding against any Property Entity, Contributed Entity or Subsidiary or, to the Principal's Knowledge, any officer, director, principal, managing member, or general partner of any of the foregoing in their capacity as such, or, to the Principal's Knowledge, any Contributors which would reasonably be expected to have a Material Adverse Effect. No Property Entity, Contributed Entity or Subsidiary has received any written notice of any pending or threatened proceedings for the rezoning (i.e., as opposed to the current zoning) of any Property or any portion thereof which would substantially and materially impair the current or proposed use thereof.

1.8 Compliance With Laws. Each Contributed Entity and its Subsidiaries and each Property Entity has conducted its business and maintained its Property in compliance with all applicable Laws, except for such failures that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. None of the Property Entities, Contributed Entities or Subsidiaries nor, to the Principal's Knowledge, any Contributor or third party has been informed in writing of any continuing violation of any such Laws or that any investigation has been commenced and is continuing or is contemplated respecting any such possible violation, except in each case for violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

1.9 Properties.

(a) Each Property Entity is the insured under a policy of title insurance as the owner of, and, to the Principal's Knowledge, is the owner of, the fee simple estate to such Property Entity's Property, in each case free and clear of all Liens, except for Permitted Liens (as defined herein).

(b) Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (1) no Property Entity, Contributed Entity, nor Subsidiary, nor any other party to any material agreement affecting any Property (other than a Lease (as such term is hereinafter defined) for space within such Property, but including any agreement that constitutes a Permitted Lien), is in breach or default of any such agreement, (2) to the Principal's Knowledge, no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any such agreement, or would, individually or together with all such other events, reasonably be expected to cause the acceleration of any material obligation of any party thereto or the creation of a Lien upon any asset of any Property Entity, Contributed Entity or Subsidiary, except for Permitted Liens, or otherwise reasonably be expected to have a Material Adverse Effect and (3) all agreements affecting any Property required for the continued use, occupancy, management, leasing and operation of such Property (exclusive of space Leases) are valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

(c) To the Principal's Knowledge, as presently conducted, none of the operation of the buildings, fixtures and other improvements comprising a part of the Properties is in violation of any applicable building code, zoning ordinance or other "land use" Law.

(d) Each Property Entity holds the lessor's interest under the leases, licenses, tenancies, possession agreements and occupancy agreements with tenants of its Property (the "Leases"). Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (1) no Property Entity, nor any of its Subsidiaries, nor, to the Principal's Knowledge, any other party to any Lease, is in breach or default of any such Lease, (2) to the Principal's Knowledge, no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any Lease, or would, permit termination, modification or acceleration under such Lease, and (3) to the Principal's Knowledge, each of the Leases is valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity. To the Principal's Knowledge, no tenant under any of such Leases is presently the subject of any voluntary or involuntary bankruptcy or insolvency proceedings.

1.10 Existing Loans. Schedule 1.10 lists, as of the date hereof, all secured loans encumbering the Properties or any direct or indirect interest in the applicable Property Entity or Contributed Entity (the "Disclosed Loans") and the outstanding aggregate principal balance as of the date set forth on Schedule 1.10. To the Principal's Knowledge, no monetary default (beyond applicable notice and cure periods) by any party exists under any of the Disclosed Loans and the documents entered into in connection therewith (collectively, the "Disclosed Loan Documents") and no non-monetary default (beyond applicable notice and cure periods) by any party exists under any of such Disclosed Loan Documents.

1.11 Insurance. Each Property Entity or Contributed Entity or its Subsidiaries has in place the public liability, casualty and other insurance coverage with respect to each Property owned, leased and/or managed by it as the Principal reasonably deems necessary and in all cases including such coverage as is required under the terms of any loan or Lease. Each of the insurance policies with respect to each Property is in full force and effect in all material respects and all premiums due and payable thereunder have been fully paid when due. To the Principal's Knowledge, no Property Entity or Contributed Entity nor any of the Contributors has received from any insurance company any notices of cancellation or intent to cancel any insurance.

1.12 Environmental Matters. Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (A) each Property Entity, Contributed Entity and its Subsidiaries are in compliance with all Environmental Laws, (B) no Property Entity, Contributed Entity nor, to the Principal's Knowledge, any of the Contributors has received any written notice from any Governmental Authority or third party alleging that such Property Entity, Contributed Entity, Subsidiary or any Property is not in compliance with applicable Environmental Laws, and (C) there has not been a release of a hazardous substance on any Property that would require investigation or remediation under applicable Environmental Laws.

1.13 Eminent Domain. There is no existing, or to the Principal's Knowledge, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding which would affect any of the Properties.

1.14 Taxes. Except as set forth in Schedule 1.14:

(a) Each Property Entity, Contributed Entity and Subsidiary has timely and properly filed all Tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so), and all such returns and reports are accurate and complete in all material respects, and has paid (or had paid on its behalf) all Taxes as required to be paid by it.

(b) No deficiencies for any Taxes have been proposed, asserted, assessed or, to the Principal's Knowledge, threatened against any Property Entity, Contributed Entity or Subsidiary, and no requests for waivers of the time to assess any such Taxes are pending.

(c) No Property Entity, Contributed Entity or Subsidiary holds any asset the disposition of which would be subject to rules similar to Section 1374 of the Code; and no Property Entity, Contributed Entity or Subsidiary has requested or received any ruling from the IRS or comparable rulings from other taxing authorities or has entered into any "closing agreement" as described in Section 7121 of the Code or similar arrangement. There are no liens or encumbrances for Taxes on any Property, other than liens or encumbrances for Taxes not yet due and payable, and no action, proceeding or investigation has been instituted against any Property Entity, Contributed Entity or Subsidiary or, to the Principal's Knowledge, any Contributor that would give rise to any such liens or encumbrances. Each Property Entity, Contributed Entity and Subsidiary has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, member or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(d) There are no pending or, to the Principal's Knowledge, threatened audits, assessments or other actions for or relating to any liability in respect of income or material non-income Taxes of any Property Entity, Contributed Entity or Subsidiary, there are no matters under discussion with any Tax authority with respect to income or material non-income Taxes that are likely to result in an additional liability for Taxes with respect to any Property Entity, Contributed Entity or Subsidiary and no Property Entity, Contributed Entity or Subsidiary is, or has ever been, a party to or bound by any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar contract.

(e) At all times since its formation, each S Corp (including any "predecessor corporation" (within the meaning of Treasury Regulations Section 1.1374-1(e)) to such S Corp) has continuously qualified as an "S corporation" within the meaning of Section 1361(a)(1) of the Code and all applicable corresponding provisions of state and local law, and no Tax authority has claimed in writing that such S Corp does not qualify as an S corporation. No S Corp has ever elected to treat any Subsidiary as a "qualified subchapter S subsidiary" within the meaning of Section 1361(b)(3)(B) of the Code.

(f) No S Corp has any current or accumulated earnings and profits.

(g) The current and accumulated earnings and profits of each C Corp through the date hereof is set forth in Schedule 1.14(g).

(h) Since its formation, for U.S. federal income tax purposes, each Property Entity, Contributed Entity and Subsidiary, other than the S Corps (as defined herein) and the C Corps (as defined herein), has been treated as a partnership or a disregarded entity and not as a corporation or an association taxable as a corporation. Schedule 1.14(h)(i) sets forth each Property Entity, Contributed Entity and Subsidiary that is treated as a partnership for U.S. federal income Tax purposes, and except as set forth in Schedule 1.14(h)(i), each such entity has always been treated as a partnership for U.S. federal and applicable state and local income Tax purposes. Schedule 1.14(h)(ii) sets forth each Property Entity, Contributed Entity and Subsidiary that is treated as an entity disregarded from its owner for U.S. federal income Tax purposes, and except as set forth in Schedule 1.14(h)(ii), each such entity has always been treated as an entity disregarded from its owner for U.S. federal and applicable state and local income Tax purposes. The Principal has included all income, gain, loss, deduction or other Tax items in his income Tax returns in a manner consistent with the Schedule K-1's received by the Principal from each Contributed Entity.

1.15 Non-Foreign Status. To the Principal's Knowledge, except as set forth on Schedule 1.15, none of the Contributors, Property Entities or Contributed Entities is a foreign person (as defined in the Code).

1.16 Bankruptcy. No bankruptcy or similar insolvency proceeding has been filed, or is currently contemplated or, to the Principal's Knowledge, threatened, with respect to any Property Entity, Contributed Entity or Subsidiary.

1.17 Employees. Except as set forth on Schedule 1.17, no Property Entity, Contributed Entity nor Subsidiary has or has ever had any employees. No Property Entity, Contributed Entity nor Subsidiary is delinquent in payments to any of its employees, consultants or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed or amounts required to be reimbursed to such employees, consultants or independent contractors. Each Property Entity, Contributed Entity and Subsidiary has, to the extent applicable:

(a) complied in all material respects with all applicable laws related to employment;

(b) withheld and paid to the appropriate governmental entity or is holding for payment not yet due to such governmental entity all amounts required to be withheld from employees; and

(c) no policy, practice, plan or program of paying severance or pay or any form of severance compensation in connection with the termination of employment service and no agreement pursuant to which it would be required to pay severance to any director, officer, employee or consultant.

1.18 Contracts and Commitments. Except as set forth in the organizational documents of each Property Entity, Contributed Entity or as otherwise disclosed in Schedule 1.18, no Property Entity, Contributed Entity nor Subsidiary is a party to any agreements for the sale of its assets, for the grant to any Person of any preferential right to purchase any such assets or the acquisition of any operating business, assets or capital stock of any other corporation, entity or business, other than in the ordinary course of business.

ARTICLE II

NATURE OF REPRESENTATIONS AND WARRANTIES

2.1 Survival of Representations and Warranties. All representations and warranties contained in this Agreement shall survive after the effective time of the contributions and other Formation Transactions contemplated in the Formation Transaction Documentation until the first anniversary of the Closing Date (the "Expiration Date"). If written notice of a claim in accordance with Section 3.2 has been given prior to the Expiration Date, then the relevant representation or warranty shall survive, but only with respect to such specific claim, until such claim has been finally resolved. Any claim for indemnification not so asserted in writing by the Expiration Date may not thereafter be asserted and shall forever be waived. Notwithstanding the foregoing, claims for indemnification resulting from breaches of the representations in Section 1.14 may be asserted until the expiration of the applicable statute of limitations.

ARTICLE III

INDEMNIFICATION

3.1 Indemnification of Acquirer. The Acquirer and its Affiliates and each of its directors, officers, employees, agents and representatives (each of which is an "Indemnified

Party" and collectively, the "Indemnified Parties"), shall be indemnified and held harmless by the Principal, under the terms and conditions of this Agreement, from and against any and all Losses arising out of or relating to, asserted against, imposed upon or incurred by the Indemnified Parties in connection with or as a result of any breach of a representation or warranty contained in Article I of this Agreement (subject to the survival limitations set forth in Section 2.1 hereof) (collectively, the "Indemnified Losses"); provided, the Indemnified Parties shall only be entitled to indemnification for breaches of representations and warranties made pursuant to Article I of this Agreement to the extent that the Indemnified Losses with respect to such breaches exceed, in the aggregate, One Million Dollars ($1,000,000.00) (the "Deductible"). The Principals shall only be liable for Indemnified Losses (after giving effect to and only for amounts in excess of the Deductible) up to the Maximum Indemnity Amount.

3.2 Claims.

(a) At the time when the Acquirer learns of any potential claim for Indemnified Losses under this Agreement (a "Claim"), it will promptly give written notice (a "Claim Notice") to the Principal; provided that the failure to so notify the Principal shall not prevent recovery under this Agreement, except to the extent that the Principal shall have been materially prejudiced by such failure. Each Claim Notice shall describe in reasonable detail the facts known to the Indemnified Party giving rise to such Claim. The Indemnified Party shall deliver to the Principal, promptly after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by such Indemnified Party relating to a Third Party Claim (as defined below); provided that failure to do so shall not prevent recovery under this Agreement, except to the extent that the Principal shall have been materially prejudiced by such failure. Any Indemnified Party may at its option demand indemnity under this Article III as soon as a Claim has been threatened by a third party, regardless of whether an actual Loss has been suffered, so long as the Indemnified Party shall in good faith determine that such claim is not frivolous and that the Indemnified Party may be liable for, or otherwise incur, a Loss as a result thereof.

(b) The Principal shall be entitled, at his own expense, to elect to assume and control the defense of any Claim based on claims asserted by third parties ("Third Party Claims"), through counsel chosen by the Principal and reasonably acceptable to the Indemnified Parties, if the Principal gives written notice of his intention to do so to the Acquirer within twenty (20) days of the receipt of the applicable Claim Notice; provided, however, that the Indemnified Parties may at all times participate in such defense at their own expense. Without limiting the foregoing, in the event that the Principal exercises the right to undertake any such defense against a Third Party Claim, the Indemnified Party shall cooperate with the Principal in such defense and make available to the Principal, at the Principal's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under such Indemnified Party's control relating thereto as is reasonably required by the Principal. No compromise or settlement of such Third Party Claim may be effected by either the Indemnified Party, on the one hand, or the Principal, on the other hand, without the other party's consent (which shall not be unreasonably withheld or delayed) unless (i) there is no finding or admission of any violation of Law and no effect on any other claims that may be made against such other party, (ii) each Indemnified Party that is party to such claim is released from all liability with respect to such claim, and (iii) there is no equitable order, judgment or term that in any manner

affects, restrains or interferes with the business of the Indemnified Party that is party to such claim or any of its Affiliates. Notwithstanding the foregoing, if the compromise or settlement of such Third Party Claim could reasonably be expected to adversely affect the status of the REIT as a real investment trust within the meaning of Section 856 of the Code, then the REIT shall make such decision to compromise or settle the Third Party Claim without the need to obtain the Principal's consent.

3.3 Delivery of Indemnity Amounts. Upon resolution of any disputed Claim or portion of a Claim as evidenced by (x) a written agreement between the Acquirer and the Principal or (y) a final award of an arbitral tribunal in accordance with this Agreement, the Principal shall deliver the amount of the indemnification to the Indemnified Party. Indemnity payments may be made by the Principal in the form of cash or OP Units. To the extent indemnification is made through delivery by the Principal of OP Units, such OP Units shall be valued at an amount per OP Unit equal to the IPO Price. The Principal hereby authorizes the REIT, as general partner of the Operating Partnership, to take all such action as may be necessary to amend the partnership agreement of the Operating Partnership, and any exhibits or schedules thereto, to reflect the delivery of any OP Units by the Principal as an indemnification payment hereunder and to reflect that the Principal has no further right, title or interest with respect to any such OP Units.

3.4 Exclusive Remedy. The sole and exclusive remedy for Indemnified Parties with respect to any and all claims relating to a breach of this Agreement (other than breaches arising out of or in connection with fraud) shall be indemnification in accordance with the terms of this Agreement. The Principal shall not be liable or obligated to make payments under this Agreement in excess of the Maximum Indemnity Amount (as defined herein).

3.5 Characterization of Payments. Any indemnity payments shall constitute an adjustment of the contribution consideration received by the Principal pursuant to his Contribution Agreement for Tax purposes and shall be treated as such by all parties on their tax returns to the extent permitted by Law.

ARTICLE IV

GENERAL PROVISIONS

4.1 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (i) delivered personally, (ii) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (iii) one (1) Business Day after being sent by a nationally recognized overnight courier or (iv) transmitted by facsimile if confirmed within twenty four (24) hours thereafter by a signed original sent in the manner provided in clause (i), (ii) or (iii) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party): If to the REIT or the Operating Partnership, to: Armada Hoffler, L.P., 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462, Attention: President; if to the Principal, to: Daniel A. Hoffler, Suite 2100, 222 Central Park Avenue, Virginia Beach, Virginia.

4.2 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(b) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the Commonwealth of Virginia.

(c) "C Corp" means each of the entities listed on Schedule 4.2(c).

(d) "Closing Date" means the closing date of the transactions contemplated by the Formation Transaction Documents.

(e) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(f) "Environmental Laws" means all federal, state and local Laws governing pollution or the protection of human health or the environment.

(g) "Formation Transaction Documentation" means all of the Contribution Agreements, the Master Reorganization Agreement, this Agreement and related documents and agreements pursuant to which all of the Contributed Entities and/or the equity interests in the Contributed Entities and the Property Entities are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(h) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(i) "GAAP" means generally accepted accounting principles, as in effect in the United States of America as of the date of determination.

(j) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(k) "Knowledge" means actual current knowledge.

(l) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(m) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(n) "Losses" means charges, complaints, claims, actions, causes of action, losses, damages, Taxes, liabilities and expenses of any nature whatsoever, including without limitation, amounts paid in settlement, reasonable attorneys' fees, costs of investigation, costs of investigative judicial or administrative proceedings or appeals therefrom and costs of attachment or similar bonds, as well as all collection costs and enforcement expenses incurred in retaking, holding, preparing for sale, selling or otherwise disposing of or realizing on collateral or otherwise exercising or enforcing any rights or remedies under pledge and security or other collateral documents, but does not include any diminution in value of the Acquirer.

(o) "Master Reorganization Agreement" means the Master Reorganization Agreement dated March 21, 2013 among the parties named therein.

(p) "Material Adverse Effect" means with respect to each Contributed Entity, Property Equity, Subsidiary or Property, any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of such Contributed Entity, Property Entity, Subsidiary or Property.

(q) "Maximum Indemnity Amount" means Ten Million Dollars ($10,000,000.00).

(r) "Permitted Liens" means (i) Liens, or deposits made to secure the release of such Liens, securing Taxes, the payment of which is not delinquent or the payment of which (including, without limitation, the amount or validity thereof) is being contested in good faith by appropriate proceedings for which adequate reserves have been made in accordance with GAAP; (ii) zoning, entitlement, building and other land use Laws imposed by governmental agencies having jurisdiction over the Properties; (iii) covenants, conditions, restrictions, easements for public utilities, encroachments, rights of access or other non-monetary matters that do not materially impair the use of the Properties for the purposes for which they are currently being used or proposed to be used in connection with the relevant Person's business; (iv) Liens securing Disclosed Loans; (v) Liens arising under leases disclosed in full to the Acquirer and in effect as of the Closing Date; (vi) any exceptions contained in the title policies relating to the Properties as of the Closing Date, copies of which title policies were provided to the Acquirer and their counsel, none of which substantially and materially impair the use of the Properties for the purposes for which they are currently being used; and (vii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not yet due and payable and which are not, in the aggregate, material to the business, operations and financial condition of the Properties so encumbered.

(s) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(t) "Properties" shall have the meaning given in the Recitals.

(u) "S Corp" means each of the entities listed on Schedule 4.2(u).

(v) "Subsidiary" means any corporation, partnership, limited liability company, joint venture, trust or other legal entity in which a Contributed Entity owns (either directly or through or together with another Subsidiary) either (i) a general partner, managing member or other similar interest, or (ii) outstanding capital stock or other equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity. As used herein, "Subsidiary" or "Subsidiaries" refers to the Subsidiaries of the Contributed Entities, as set forth on Schedule 4.2(v), unless the context otherwise requires.

(w) "Tax" means all federal, state, local and foreign income, withholding, gross receipts, license, property, sales, franchise, employment, payroll, goods and services, stamp, environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

4.3 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all of the parties hereto. Each party may rely on a facsimile or electronic pdf email signature of the other party as if it were an original signature.

4.4 Entire Agreement; Third-Party Beneficiaries. This Agreement, including, without limitation, the exhibits hereto and thereto, constitute the entire agreement and supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

4.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to the conflicts of law rules thereof.

4.6 Assignment. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the Acquirer may assign its rights and obligations hereunder to an Affiliate.

4.7 Jurisdiction. The parties hereto hereby:

(a) submit to the exclusive jurisdiction of any state or federal court sitting in the City of Virginia Beach, Virginia, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, and

(b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

4.8 Dispute Resolution. The parties intend that this Section 4.8 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to clause (c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this Agreement to arbitrate) that is not resolved pursuant to clause (a) above shall be submitted to final and binding arbitration in Virginia Beach, Virginia before one neutral and impartial arbitrator, in accordance with the laws of the Commonwealth of Virginia for agreements made in and to be performed in Virginia. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The parties hereto shall appoint one arbitrator within fifteen (15) days of a demand for arbitration. If an arbitrator is not appointed within such 15-day period, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies

as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

4.9 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

4.10 Rules of Construction.

(a) The parties hereto agree that they have been represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms, unless otherwise defined herein. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

4.11 Equitable Remedies. The parties agree that irreparable damage would occur to the Acquirer in the event that any of the provisions of this Agreement were not performed in

accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Acquirer shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the Principal and to enforce specifically the terms and provisions hereof in any federal or state court located in Virginia Beach, Virginia, this being in addition to any other remedy to which the Acquirer is entitled under this Agreement or otherwise at law or in equity.

4.12 Time of the Essence. Time is of the essence with respect to all obligations under this Agreement.

4.13 Headings. Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and shall be given no substantive or interpretive effect whatsoever.

[Signature Page Follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

ACQUIRER:

ARMADA HOFFLER PROPERTIES, INC., a Maryland corporation

By: /s/ Louis S. Haddad
Name: Louis S. Haddad
Title: President and Chief Executive Officer

ARMADA HOFFLER, L.P., a Virginia limited partnership

By: Armada Hoffler Properties, Inc.
a Maryland corporation, its General Partner

By: /s/ Louis S. Haddad
Name: Louis S. Haddad
Title: President and Chief Executive Officer

PRINCIPAL:

/s/ Daniel A. Hoffler ,
Daniel A. Hoffler, an individual

Exhibit 15.1

Acknowledgment of Ernst & Young LLP,
Independent Registered Public Accounting Firm

Stockholders and Board of Directors of
Armada Hoffler Properties, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 333-188545) of Armada Hoffler Properties, Inc. for the registration of 700,000 shares of its common stock of our reports dated June 20, 2013, August 14, 2013 and November 12, 2013 relating to the unaudited condensed interim consolidated and combined financial statements of Armada Hoffler Properties, Inc. and Predecessor that are included in its Forms 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013.

/s/ Ernst & Young LLP

Richmond, Virginia
November 12, 2013

Exhibit 31.1

CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Louis S. Haddad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Armada Hoffler Properties, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [Language omitted in accordance with SEC Release Nos. 34-47986 and 34-54942] for the registrant and have:

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

   b. [Language omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];

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

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

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

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

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

Date: November 12, 2013

/s/ LOUIS S. HADDAD
Louis S. Haddad
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael P. O'Hara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Armada Hoffler Properties, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [Language omitted in accordance with SEC Release Nos. 34-47986 and 34-54942] for the registrant and have:

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

   b. [Language omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];

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

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

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

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

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

Date: November 12, 2013

/s/ MICHAEL P. O'HARA
Michael P. O'Hara
Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION

The undersigned, Louis S. Haddad, the President and Chief Executive Officer of Armada Hoffler Properties, Inc. (the "Company"), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of his knowledge:

1. the Quarterly Report for the period ended September 30, 2013 of the Company (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2013

/s/ LOUIS S. HADDAD
Louis S. Haddad
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

The undersigned, Michael P. O'Hara, the Chief Financial Officer and Treasurer of Armada Hoffler Properties, Inc. (the "Company"), pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of his knowledge:

1. the Quarterly Report for the period ended September 30, 2013 of the Company (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2013

/s/ MICHAEL P. O'HARA
Michael P. O'Hara
Chief Financial Officer and Treasurer