

AMERICAN COMMUNITY PROPERTIES TRUST

Form 10-K

April 15, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001, OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number **1-14369**

AMERICAN COMMUNITY PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

MARYLAND

52-2058165

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

222 Smallwood Village Center
St. Charles, Maryland 20602

(Address of principal executive offices)(Zip Code)

(301) 843-8600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act.

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE ON WHICH REGISTERED

Common Shares, \$.01 par value

American Stock Exchange
Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 report(s), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

As of March 15, 2002 the aggregate market value of the common shares held by non-affiliates of the registrant based on the closing price reported on the American Stock Exchange was \$17,904,905. As of March 1, 2002, there were 5,191,554 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission for Registrant's 2002 Annual Meeting of Shareholders to be held in June 2002 are incorporated by reference into Part III.

AMERICAN COMMUNITY PROPERTIES TRUST

2001 Form 10-K Annual Report

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>PART I</u> | |
| Item 1. Business | 3 |
| Item 2. Properties | 12 |
| Item 3. Legal Proceedings | 12 |
| Item 4. Submission of Matters to a Vote of Security Holders | 14 |
| Item 4A Executive Officers of the Registrant | 14 |
| <u>PART II</u> | |
| Item 5. Market for Registrant's Common Stock and Related Stockholder Matters | 16 |
| Item 6. Selected Financial Data | 17 |
| Item 7. Management's Discussion and Analysis of Results of Operations and Financial Conditions | 18 |
| Item 7a. Quantitative and Qualitative Disclosures about Market Risk | 26 |
| Item 8. Financial Statements and Supplementary Data | 26 |

| | | |
|---------|---|----|
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosures | 59 |
|---------|---|----|

PART III

| | | |
|----------|--|----|
| Item 10. | Trustees and Executive Officers of the Registrant | 59 |
| Item 11. | Executive Compensation | 59 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management | 59 |
| Item 13. | Certain Relationships and Related Transactions | 59 |

PART IV

| | | |
|----------|---|----|
| Item 14. | Exhibits, Financial Statement Schedules and Reports on Form 8-K | 60 |
| | Signatures | 63 |

PART I

ITEM 1. BUSINESS

On March 17, 1997, American Community Properties Trust ("ACPT"), a wholly owned subsidiary of Interstate General Company L.P. ("IGC" "Predecessor"), was formed as a real estate investment trust under Article 8 of the Maryland Corporation Associations Code (the "Maryland Trust Law"). ACPT was formed to succeed to most of IGC's real estate assets.

On October 5, 1998, IGC transferred to ACPT the common shares of four subsidiaries that collectively comprised the principal real estate operations and assets of IGC. In exchange, ACPT issued to IGC 5,207,954 common shares of ACPT, all of which were distributed to the partners of IGC.

ACPT is a self-managed holding company that owns all of the outstanding equity interests in American Rental Management Company ("American Management"), American Land Development U.S., Inc. ("American Land"), and IGP Group Corp. ("IGP Group") and all of the common stock of American Rental Properties Trust ("American Rental"). ACPT and all of its subsidiaries are herein referred to collectively as the "Company" or "ACPT".

ACPT is engaged in five principal lines of business: (i) ownership of rental apartment properties in the United States and Puerto Rico, (ii) community development in the United States and Puerto Rico, (iii) property management services in the United States and Puerto Rico, (iv) development of commercial rental properties and/or ground leases in Puerto Rico, and (v) construction and sales of homes in Puerto Rico. Set forth below is a brief description of these businesses.

RENTAL APARTMENT PROPERTIES.

United States.

ACPT, indirectly through its subsidiary, American Rental, and American Rental's limited partnership subsidiary, American Housing, hold interests in 13 U.S. apartment partnerships that own and operate apartment facilities in Maryland and Virginia. The U.S. apartment partnerships own a total of 2,246 rental units. Each of the apartment properties is financed by a mortgage that is non-recourse to the apartment partnership. Under non-recourse mortgages, the partners are not jointly and severally liable for the debt. HUD provides rent subsidies to residents of 993 of the apartment units and interest subsidies to projects comprising 415 units. In addition, 110 units are leased pursuant to HUD's Low Income Housing Tax Credit program, and 200 other units are leased under income guidelines set by the Maryland Community Development Administration. The remaining 528 units are leased at market rates.

The partnership agreements of nine of the U.S. apartment partnerships provide that American Housing will receive between 50% and 99.9% of distributable surplus cash from operations, refinancings or dispositions as general partner. In two of those partnerships, American Housing also receives 25.5% of the distributable surplus cash from operations as a limited partner. In three partnerships, American Housing receives 0% to 5% of the distributable surplus cash from operations as general partner until the limited partners have received cash distributions equal to their contributed capital. Thereafter, American Housing as general partner will receive 50% of the distributable cash flow from operations, refinancings and dispositions. In two of these partnerships, American Housing also receives 51% of the cash distributions as limited partner. Once the limited partners have received cash distributions equal to their contributions, American Housing's general partner's distributions increase to 50% and its share of capital limited partnership distributions decreases to 25.5%. In one of these partnerships, American Housing directly and indirectly will receive 100% of the distributable cash flow from operations. ACPT is evaluating the feasibility of upgrading the 208 units owned by Bannister Associates Limited Partnership and converting them from subsidized to fair market rental units.

The table below sets forth the name of each U.S. apartment partnership; the number of rental units in the property owned by such partnership; the project cost; the percentage of such units under lease; and the expiration date for any subsidy contract:

| | | No. of | 12/31/01 | Occupancy | Expiration |
|---|-----|--------|----------------|-----------|------------|
| | | Apt. | Project Cost | at | of Subsidy |
| | | Units | (in thousands) | 12/31/01 | Contract |
| Bannister Associates Limited Partnership | (1) | 167 | \$ 5,352 | 96% | 2017 |
| | | 41 | | | 2002 |
| Brookside Gardens Limited Partnership | (2) | 56 | 2,672 | 98% | N/A |
| Crossland Associates Limited Partnership | (3) | 96 | 3,031 | 94% | N/A |
| Fox Chase Apartments General Partnership | (4) | 176 | 7,999 | 94% | N/A |
| Headen House Associates Limited Partnership | (5) | 136 | 6,208 | 99% | 2005 |
| Huntington Associates Limited Partnership | (6) | 204 | 10,593 | 96% | 2005 |
| Lakeside Apartments Limited Partnership | (7) | 54 | 4,192 | 100% | N/A |
| Lancaster Apartment Limited Partnership | (8) | 104 | 5,010 | 95% | N/A |
| New Forest Apartments General Partnership | (4) | 256 | 13,976 | 88% | N/A |

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| | | | | | |
|---|------|-------|-----------|-----|------|
| Palmer Apartments Associates | | | | | |
| Limited Partnership | (9) | 152 | 5,838 | 95% | 2002 |
| Wakefield Terrace Associates | (10) | 164 | 6,599 | 95% | 2020 |
| Limited Partnership | | 40 | | | 2002 |
| Wakefield Third Age Associates | (11) | 84 | 3,233 | 99% | 2019 |
| Limited Partnership | | 20 | | | 2002 |
| Essex Apartments Associates Limited Partnership | (12) | 496 | 19,086 | 99% | 2006 |
| | | 2,246 | \$ 93,789 | | |

1. Receives subsidies under the National Housing Act up to a maximum of \$186,255 per year.
2. Not subsidized, but all units are set aside for low to moderate income tenants over 62 years of age under provisions set by the Low Income Housing Tax Credit ("LIHTC") program.
3. Not subsidized.
4. Not subsidized, but 20% of the units are subject to income guidelines.
5. Receives subsidies under the National Housing Act up to a maximum of \$1,399,236 per year.
6. Receives subsidies under the National Housing Act up to a maximum of \$2,053,080 per year.
7. Not subsidized, but all units are set aside for low to moderate income tenants over 55 years of age under provisions set by the LIHTC program.
8. Not subsidized, but 51% of the units are subject to income guidelines set by the Maryland Community Development Administration ("MCDA").
9. 56 units are subsidized and receive subsidies under the National Housing Act up to a maximum of \$479,774 per year. 96 units are not subsidized, but 51% of these are subject to income guidelines set by MCDA.
10. Receives subsidies under the National Housing Act up to a maximum of \$196,395 per year.
11. Receives subsidies under the National Housing Act up to a maximum of \$91,480 per year.
12. Receives subsidies under the National Housing Act up to a maximum of \$3,475,424 per year.

Puerto Rico.

In addition, ACPT, indirectly through its partnership subsidiary IGP Group, and IGP Group's partnership subsidiary IGP, holds interests in 9 Puerto Rico apartment partnerships which collectively own and operate a total of 12 apartment facilities in Puerto Rico. The Puerto Rico apartment partnerships own a total of 2,653 rental units, all of which receive rent subsidies from HUD. The properties held by the Puerto Rico apartment partnerships are financed by non-recourse mortgages, with the exception of a 50% guarantee on principal and accrued interest on two properties with outstanding mortgages of \$7,767,000.

Five of the Puerto Rico partnership agreements provide that IGP receive 50% of the net cash flow from operations. In the remaining four partnerships, IGP receives a 0% to 5% interest in profits, losses and net cash flow from operations until the limited partners have received cash distributions equal to their capital contributions. Thereafter, IGP will share in 50% to 60% of cash distributions from operations, refinancing and disposition. As a result of loans made to various Puerto Rico apartment partnerships, IGP also holds notes payable from the partnerships. The notes are required to be paid prior to paying partnership distributions from refinancing, sale or other capital events.

Puerto Rico has an estimated population of 3.8 million inhabitants, and the Puerto Rico Planning Board projects the population will continue to grow. Construction in the residential sector has shifted from single-family homes to multi-family dwellings such as walk-up condominiums. Per capita personal income is \$7,296 with an average family income of \$24,337 in fiscal year 2000. The economy of Puerto Rico registered a real growth in its gross product of 4.3% in 2000 as compared to 4.2% in 1999. ACPT may benefit from the continuation of these trends.

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The table below sets forth the name of each apartment property owned by the Puerto Rico apartment partnerships; the number of rental units in the property owned by such partnership; the project cost; the percentage of such units under lease; and the expiration date for any subsidy contract:

| | | No. of | 12/31/01 | Occupancy | Expiration |
|----------------------|-------------|--------|----------------|-----------|------------|
| | | Apt. | Project Cost | at | of Subsidy |
| | | Units | (in thousands) | 12/31/01 | Contract |
| San Anton | (1) | 184 | \$ 4,754 | 99% | 2004 |
| Monserate Associates | (2) | 304 | 11,883 | 100% | 2004 |
| Alturas del Senorial | (3) | 124 | 4,767 | 99% | 2004 |
| Jardines de Caparra | (4) | 198 | 7,504 | 100% | 2005 |
| Colinas de San Juan | (5) | 300 | 12,361 | 99% | 2002 |
| Bayamon Gardens | (6) | 280 | 13,764 | 100% | 2011 |
| Vistas del Turabo | (7) | 96 | 3,438 | 100% | 2021 |
| Monserate Tower II | (8) (9) | 304 | 12,686 | 99% | 2020 |
| Santa Juana | (8) (10) | 198 | 7,607 | 99% | 2020 |
| Torre De Las Cumbres | (8) (11) | 155 | 6,819 | 100% | 2020 |
| De Diego | (8) (12) | 198 | 7,682 | 98% | 2020 |
| Valle del Sol | (13) | 312 | 15,654 | 99% | 2003 |
| | | 2,653 | \$ 108,919 | | |

1. Receives subsidies under the National Housing Act up to a maximum of \$1,023,030 per year.
2. Receives subsidies under the National Housing Act up to a maximum of \$2,240,784 per year.
3. Receives subsidies under the National Housing Act up to a maximum of \$699,360 per year.
4. Receives subsidies under the National Housing Act up to a maximum of \$1,400,000 per year.
5. Receives subsidies under the National Housing Act up to a maximum of \$1,513,000 per year.
6. Receives subsidies under the National Housing Act up to a maximum of \$1,512,144 per year.
7. Receives subsidies under the National Housing Act up to a maximum of \$477,148 per year.
8. This property is owned by Carolina Associates L.P., a Maryland limited partnership in which IGP holds a 50% interest.
9. Receives subsidies under the National Housing Act up to a maximum of \$1,541,280 per year.
10. Receives subsidies under the National Housing Act up to a maximum of \$994,032 per year.
11. Receives subsidies under the National Housing Act up to a maximum of \$813,444 per year.
12. Receives subsidies under the National Housing Act up to a maximum of \$994,032 per year.
13. Receives subsidies under the National Housing Act up to a maximum of \$2,196,792 per year.

Government Regulation

HUD subsidies are provided principally under Sections 8 and 236 of the National Housing Act. Under Section 8, the government pays to the applicable apartment partnership the difference between market rental rates (determined in accordance with government procedures) and the rate the government deems residents can afford. Under Section 236, the government provides interest subsidies directly to the applicable apartment partnership through a reduction in the

property's mortgage interest rate. The partnership provides a corresponding reduction in resident rental rates. In compliance with the requirements of Section 8 and Section 236, residents are screened by American Management or IGP for eligibility under HUD guidelines. Subsidies are provided under long-term contracts between the federal government and the apartment partnerships.

Cash flow from projects whose mortgage loans are insured by the Federal Housing Authority ("FHA"), or financed through the housing agencies in Maryland, Virginia or Puerto Rico (the "State Financing Agencies,") are subject to guidelines and limits established by the apartment partnerships' regulatory agreements with HUD and the State Financing Agencies. The regulatory agreements also require that if cash from operations exceeds the allowable cash distributions, the surplus must be deposited into restricted escrow accounts held by the mortgagee and controlled by HUD or the applicable State Financing Agency. Funds in these restricted escrow accounts may be used for maintenance and capital improvements with the approval of HUD and/or the State Finance Agency.

The federal government has virtually eliminated subsidy programs for new construction of low and moderate income housing by profit-motivated developers such as ACPT. As a result, no new construction of apartment projects is expected in Puerto Rico. Any new apartment properties developed by ACPT in the U.S. will likely offer market rate rents.

Subsidy contracts for ACPT's investment apartment properties are scheduled to expire between 2002 and 2021. HUD is currently processing applications for the extension of the subsidy contracts that expire in 2002. ACPT intends to seek the renewal of expiring subsidy contracts for its properties. HUD has in the past approved new subsidy contracts for five-year terms, renewable annually, with the exception of one Puerto Rico property, which HUD is in the process of finalizing. The Section 8 contracts within the 236 communities will be renewed annually. Section 8 contracts renewed in 2002 will probably be for five-year terms subject to certain requirements, including rent comparability studies.

HUD has received Congressional authority to convert expired contracts to resident-based vouchers. This would allow residents to choose where they wish to live, which is likely to include the dwelling unit in which they currently reside. This may impact the income stream of certain properties. However, ACPT intends to maintain its properties in order to preserve their values and retain residents.

The HUD contract renewal process has been revised annually. Owners have six options for renewing their Section 8 contract depending upon whether the owner can meet the eligibility criteria. Historically, we have met the criteria necessary to renew our Section 8 contracts.

Competition

.

ACPT's investment properties that receive rent subsidies are not subject to the same market conditions as properties charging market rate rents. The Company's subsidized properties average approximately 98% occupancy year round. ACPT's apartments in St. Charles that have market rate rents are impacted by the supply and demand for competing rental apartments in the area, as well as the local housing market. When for sale housing becomes more affordable due to lower mortgage interest rates or softening home prices, this can adversely impact the performance of rental apartments. Conversely, when mortgage interest rates rise or home prices increase, the market for rental units typically benefits.

CONDOMINIUM CONVERSION.

Puerto Rico.

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Most of the apartment properties in Puerto Rico were designed, located and maintained with the expectation that they may be converted into condominiums upon the expiration of subsidy contracts 20 to 40 years after construction. The existing debt on most of the Puerto Rico apartment properties is low compared to present fair values. In addition, the demand for centrally located residential units within the San Juan metropolitan area, coupled with the acceptance of the condominium concept in Puerto Rico, make condominium conversions of these apartment units an attractive strategy.

ACPT's subsidiary, IGP, has been successful in converting rental apartments, having previously converted 1,800 units in Puerto Rico owned by IGP and certain affiliates. IGP completed the process of converting two former apartment properties, Monte de Oro and New Center, into condominiums, selling the last nine units in 2001.

ACPT does not currently intend to convert other properties, and will pursue extensions of subsidy contracts as they mature.

United States.

ACPT does not currently intend to convert any of its U.S. properties into condominiums.

COMMUNITY DEVELOPMENT.

ACPT's community development assets consist of more than 4,700 acres of developed and undeveloped land in the master planned communities of St. Charles, Maryland, and Parque Escorial, in Carolina, Puerto Rico. The land in both communities is being developed by ACPT and its affiliates for a variety of residential uses, including single-family homes, townhomes, condominiums and apartments, as well as commercial and industrial uses. ACPT may also develop for residential use part of a planned commercial development in Canovanas, Puerto Rico.

St. Charles.

ACPT, indirectly through American Land, owns more than 4,300 undeveloped acres in the planned community of St. Charles, containing a total of approximately 9,100 acres (approximately 14 square miles) located in Charles County, Maryland, 23 miles southeast of Washington, D.C.

Based on figures prepared by the Charles County Department of Planning and Growth Management ("DPGM"), the population of Charles County grew to 124,145 in 2000, up from 101,000 in 1990, and is projected to increase to 169,300 by 2015. The 2000 average household income in Charles County is estimated at \$77,400. The County issued permits for 382,843 square feet of new commercial/industrial construction in 2000 maintaining its steady level of non-residential development as well as residential.

St. Charles is comprised of five separate villages: Smallwood Village (completed), Westlake Village (which has been substantially completed), Fairway Village (currently under development), and Piney Reach and Wooded Glen, both undeveloped. Each village consists of individually planned neighborhoods, and includes schools, churches, recreation centers, sports facilities, and a shopping center. Other amenities include parks, lakes, hiking trails and bicycle paths. St. Charles also includes an 18-hole public golf course. Each community is planned for a mix of residential housing, including detached single-family homes, townhomes, multiplex units and rental apartments. Typical lot sizes for detached homes range from 6,000 to 8,000 square feet.

The development of St. Charles as a planned unit development ("PUD") began in 1972 when a comprehensive planned unit development agreement for St. Charles was approved by Charles County. This master plan contemplates construction of approximately 24,730 housing units and 1,390 acres of commercial and industrial development. As of

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December 31, 2000, there were more than 11,000 completed housing units in St. Charles, including Carrington neighborhood, which began prior to 1972 and is not included in the PUD. In addition there are schools, recreation facilities, commercial, office and retail space in excess of 4.4 million square feet. In St. Charles, ACPT, through outside planners, engineers, architects and contractors, obtains necessary approvals for land development, plans individual neighborhoods in accordance with regulatory requirements, constructs roads, utilities and community facilities. ACPT develops lots for sale for detached single-family homes, townhomes, apartment complexes, and commercial and industrial development.

Fairway Village, named for the existing 18-hole public golf course it surrounds, is currently being developed. The master plan provides for 3,346 dwelling units on 1,287 acres, including an industrial park and a 40-acre commercial center. Since the opening of Fairway Village in 1999, buyer activity and home sales have steadily increased. The model home park now has four completed units. The newest addition to Fairway's list of builders, Washington Homes, Inc. completed its model in April 2001 and experienced steady sales. Seventy-six of the 79 fully developed single-family detached lots in the first phase and 70 of the 72 developed lots in the second phase have been settled by builders as of December 31, 2001. Construction on the next 98 single-family lots is underway with delivery expected in the spring of 2002. The development of 61 small single-family detached lots was completed for lot delivery to Washington Homes in the fall of 2001. Eight lots settled by year's end. The engineering of an additional 73 lots is near completion. Infrastructure construction may begin in the spring of 2002 for lot deliveries in the fall of 2002. Design plans for the next 69 lots are underway.

The last two villages, Wooded Glen and Piney Reach, comprise approximately 3,300 acres, and are planned for development after the completion of Fairway Village. The total number and mix of residential units must be approved by the County Commissioners before development can begin. There can be no assurances that the total 24,730 units in St. Charles' master plan can be attained.

Government Approvals

The St. Charles master plan has been incorporated in Charles County's comprehensive zoning plan. In addition, the Charles County government has agreed to provide sufficient water and sewer connections for the balance of the housing units to be developed in St. Charles. Specific development plans for each village in St. Charles is subject to approval of the County Planning Commission. Such approvals have previously been received for the villages of Smallwood, Westlake and Fairway. Approvals have not yet been sought on the final two villages.

The Charles County government continues to administer its newly adopted school allocation policy that confirms available school capacity prior to the recording of final subdivision plats. St. Charles has received allocation approval for the next 98 lots, as well as allocation for the 61 small lots. Allocation for an additional 57 lots was obtained during 2001 and 12 in January 2002. Additional allocation capacity is expected in July 2002. The allocation system is based upon the distribution of available school capacity within each of the County's high school districts. Land development projects receive available allocation based upon the approval date of the preliminary plan of subdivision. Because Fairway Village received preliminary plan approval in August 1994, it is the oldest approved plan and therefore remains at the top of the allocation list. During each six-month cycle, Fairway Village is the first project offered available allocation within its high school district. ACPT's Board of Trustees and the Charles County Commissioners have approved an agreement that will grant the Company a sufficient amount of allocations annually to continue the development of Fairway Village.

Competition

Competition among residential communities in Charles County is intense. Currently, there are approximately 30 subdivisions competing for new homebuyers within a five-mile radius of St. Charles. The largest competing housing

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developments are Kingsview, a 640-unit project being developed by Miller & Smith, Charles Crossing, a 451-unit project being developed by a local developer, and Southwinds, a 367-unit project being developed by Washington Homes. Smaller projects are being developed by more than 20 other developers. Major national and regional homebuilders are attracted by the growing marketplace. In this very price sensitive market, ACPT attempts to position St. Charles to provide affordable building lots and homes while offering more amenities than the competition. ACPT intends to continue this strategy.

Environmental Impact

Management believes that the St. Charles master plan can be completed without material adverse environmental impact and in compliance with governmental regulations. In preparation for immediate and future development, Phase I Environmental Site Assessments have been prepared for substantially all of the undeveloped parcels. Historically the land has been used for farming and forestry and no significant environmental concerns were found. Jurisdictional determinations for wetlands have been approved by the Army Corps of Engineers for Sheffield Neighborhood in Fairway Village, the next phase of residential development. Management has developed an Environmental Policy Manual and has established an Environmental Review Committee and an Environmental Coordination Officer to anticipate environmental impacts and avoid regulatory violations. However, development can be delayed while plans are being reviewed by local, state and federal agencies for environmentally sensitive areas.

ACPT's predecessor, IGC, settled the ongoing litigations regarding the disturbance of wetlands. The property held by ACPT in St. Charles was not subject to that litigation.

Parque Escorial.

ACPT, indirectly through American Land, IGP Group and IGP holds a 100% interest in Land Development Associates ("LDA"), which in 1989 acquired the 440-acre site of the former El Comandante Race Track. The master plan for Parque Escorial was approved in 1994 and contemplates the construction of 2,700 dwelling units of various types on 290 cuerdas and the development of 150 cuerdas for commercial, office and light industrial uses. LDA has developed and sold 253 cuerdas, and continues to own 187 cuerdas of developed and undeveloped land. A cuerda is the equivalent of .9712 acres. Parque Escorial is located approximately six miles from the central business district in San Juan, Puerto Rico.

Development of Parque Escorial began in 1994 with the sale of 61 acres of commercial land to Wal-Mart. Wal-Mart and Sam's Club stores, each consisting of 125,000 square feet, opened in 1995. Since then a total of 700,000 square feet of commercial space has opened. Commercial land in Parque Escorial is currently selling at approximately \$1.1 million per acre. Residential development began in 1996 mainly by private developers. Development of residential projects include 216 "walk-up" condominiums built and sold by a joint venture 50% owned by IGP Group and a 208 unit project currently under construction, owned 100% by IGP Group.

Site improvements for the current residential phase, comprising approximately 1,168 units, is substantially complete. All units have been sold except for 172 remaining as of December 31, 2001. The next residential phase, the top of the hill, comprising approximately 436 units is in the design stage.

Government Approvals

Parque Escorial's master plan has been approved but specific site plans are subject to planning commission review and approval. LDA has secured agreements with the Puerto Rico Aqueduct and Sewer Authority to provide adequate water and sewer capacity for 3,000 units, which includes commercial land development.

ACPT believes that in addition to developing commercial land for sale, opportunities exist to develop commercial rental properties in Puerto Rico, such as a commercial office building in Parque Escorial and a film and television

studio in Canovanas.

Competition

The scarcity of developable land in the San Juan metropolitan area creates a favorable market for condominium unit sales at Parque Escorial. Competition for condominium unit sales is expected primarily from small-scale condominium projects in areas considered to be similar or less desirable than Parque Escorial. Furthermore, it is one of only two master planned communities currently under development in the San Juan metropolitan area. The other is the 500-acre Encantada, which is marketed toward higher income homebuyers. Parque Escorial's home prices appeal primarily to entry level purchasers. In addition, Encantada's developer is building all the homes in the community, while Parque Escorial features six different projects in its first phase, providing more variety, and an important competitive advantage.

Environmental Impact

Management of ACPT believes that the Parque Escorial master plan can be completed without material adverse environmental impact and in compliance with government regulations. All of the necessary agencies have endorsed Parque Escorial's environmental impact statement. Wal-Mart has provided mitigation for 12 acres of wetlands impacted by its development of the shopping center site and other land.

COMMERCIAL RENTAL PROPERTIES.

In December 1998, LDA transferred title to a 7-acre site in Parque Escorial's office park on which a 150,000 square foot building was built by ELI S.E., a special partnership in which LDA holds a 45.26% interest in future cash flow generated by the building lease. The building is leased to the State Insurance Fund of Puerto Rico, a Government Agency, for thirty years at the end of which the lessee can acquire it for \$1. For income tax and book purposes, the lease is considered a finance lease; therefore, the lease payments are treated as mortgage payments. A significant portion of the lease payments consist of interest due from a government agency which when received by ELI are tax-free. The tax-free status stays intact when ELI distributes its income to LDA.

LDA also owns approximately 505 acres adjacent to the El Comandante Race Track in Canovanas, Puerto Rico. At present, LDA is in the process of developing and/or leasing the land for a fully integrated entertainment complex consisting of movie studios, an amphitheater, and an amusement park. In 1999, the Puerto Rico Government enacted Bill 1958, "The Film Industry Law". This law provides tax incentives and credits to producers, film projects and infrastructure developers in an effort to attract the film industry to Puerto Rico. Portions of the land may also be developed for residential use. In the fourth quarter of 2000, a land/building lease contract was signed with Flying Horse Productions for the first phase of this project which consists of 9 acres. LDA is responsible for the segregation of the land, securing the use permits and delivery of a complex not later than 24-months after receiving the final plans and specifications from Flying Horse Productions. The responsibility of LDA for the construction of the project is capped at \$11.5 million; the total cost of which is estimated at \$60 million. Any amounts in excess of \$11.5 million must be provided by Flying Horse Productions.

PROPERTY MANAGEMENT.

ACPT, indirectly through its subsidiary American Management, operates a property management business in the United States. American Management earns fees from the management of 4,176 rental apartment units, including 2,246 units in which ACPT holds an ownership interest. Management fees for the 2,246 units are based on a percentage of rents ranging from 5% to 10.41%. The management contracts for these properties have terms of one or two years and are automatically renewed upon expiration but may be terminated on 30 days notice by either party. Management fees for other apartment properties range from 2.5% to 5% of rents.

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In addition, IGP earns fees from the management of 2,653 rental apartment units owned by the nine Puerto Rico apartment partnerships in which IGP holds an ownership interest. Management fees for these apartment properties, like those in the U.S., are based on a percentage of rents ranging from 2.25% to 9.25%. The management contracts for these properties have terms of three years and are customarily renewed upon expiration. IGP is also entitled to receive up to an aggregate of \$192,000 annually in certain incentive management fees with respect to six properties owned by the Puerto Rico apartment partnerships. Upon the conversion of units to condominiums, management fees cease. However, IGP customarily receives fees in connection with managing the conversion process.

IGP currently manages 918 rental apartments owned by a non-profit entity, which acquired the units from IGP in 1996 under the provisions of LIHPRHA. The management agreements for these properties expire March 15, 2004.

HOMEBUILDING IN PUERTO RICO.

During 2001, IGP incorporated Brisas de Parque Escorial, Inc., a Puerto Rico corporation, to construct and build a 208-unit residential project. The project is located in Parque Escorial, and has been carefully planned for completion and delivery in coordination with two third-party developers currently building 368 units in Parque Escorial. Residential sales are continuing at a steady pace of 12 to 16 units per month. This pace is expected to continue. The project is a "walk-up" type and will be in the range for FHA financing within the area's guidelines.

GENERAL.

Employees.

ACPT had 254 full-time employees as of December 31, 2001, 112 in the United States and 142 in Puerto Rico. Employees performing non-supervisory services through the Company's property management operations receive salaries funded by the owner partnerships.

ITEM 2. PROPERTIES

ACPT owns real property located in Maryland and Puerto Rico. As of December 31, 2001, the Company's community development land holdings consisted of the following:

Charles County, Maryland

| | |
|--|-------|
| Finished inventory- | |
| Residential lots | 79 |
| Commercial, office or light industrial acres | 106 |
| Under development- | |
| Residential lots | 343 |
| Commercial, office or light industrial acres | 96 |
| Pre-development - master plan approved | |
| Residential lots | 2,791 |
| Commercial, office or light industrial acres | 563 |
| Held for future development acres | 2,776 |

Carolina, Puerto Rico

| | |
|--|-----|
| Finished inventory- | |
| Residential lots | 172 |
| Commercial, office or light industrial acres | 10 |
| Under development- | |
| Residential lots | -- |
| Commercial, office or light industrial acres | 7 |
| Pre-development- | |
| Residential lots | 175 |
| Held for future development acres | 120 |

Canovanas, Puerto Rico

| | |
|-----------------------------------|-----|
| Held for future development acres | 505 |
|-----------------------------------|-----|

ITEM 3. LEGAL PROCEEDINGS

Langley, et al vs. St. Charles Associates Limited Partnership, et al, No. 08-C-00-269 (Circuit Court for Charles County, Maryland). In 2000, the owners of a parcel of land located in Charles County sued the Company and one of its officers in the Circuit Court for Charles County, Maryland. The complaint claimed damages allegedly flowing from trespass and restrictions of access to property resulting from the construction of a county road in Charles County. The construction in question was completed by St. Charles Community, LLC by agreement with and permission from the County. The first and second counts of the complaint sought \$10,000,000 in compensatory damages and \$10,000,000 in punitive damages. The third and final count sought an easement and right of way to the county road. On April 13, 2001, the Circuit Court dismissed all individual corporate officers from the lawsuit and dismissed the second and third counts. The Circuit Court also ordered that the County Commissioners of Charles County be joined as defendants in the case. The plaintiffs responded by filing an amended complaint purporting to cure the defects prompting the dismissals and adding the County Commissioners as defendants. On October 12, 2001, the Circuit Court again dismissed the individual corporate officers and dismissed the second and third counts with prejudice. Accordingly, the only remaining claim against the Company is the trespass count. The case is scheduled to go to trial in December 2002.

St. Charles Planning & Design Review Board-Smallwood Village vs. George C. Vann, et al.

, No. 08-C-01-264 (Circuit Court for Charles County, Maryland). The Company was named as a third-party defendant in a three count complaint alleging that the Company schemed with the County Commissioners, one employee of the County, the St. Charles Planning & Design Review Board ("PDRB"), and the managing agent for the PDRB to prevent him from obtaining signage for one of his lots and the development of a second lot. Each of the three counts seeks actual and compensatory damages in an amount to be proven at trial, plus punitive damages in the amount of \$3,000,000. A hearing has been scheduled for May 23, 2002. The Company will vigorously defend against these charges.

Nissan Auto, Inc. vs. Departamento de Transportacion y Obras Publicas, et al, No. KDP97-2292, Superior Court of

San Juan, Puerto Rico. On November 17, 1997, Nissan Auto, Inc. filed a claim in the Superior Court of San Juan, Puerto Rico against the Company and eighteen other parties. The charges stem from the construction of an overpass. Nissan Auto alleges that the construction material and heavy equipment blocked the entrances to their business causing irreparable damage. Plaintiff is seeking \$2,000,000 in compensatory damages for lost business, additional damages not to be determined until the problem is cured and \$120,000 for other damages and costs. On February 11, 2000, IGP filed suit in the Superior Court of San Juan, Puerto Rico adding General Accident Insurance Company and Royal Insurance Company, IGP's insurance companies, as third party defendants to the suit. On May 24, 2000 General Accident Insurance Company indicated it will cover IGP in this case up to the limit of its policy of \$2,000,000.

Wal-Mart Puerto Rico, Inc. vs. Land Development Associates, S.E., et al, No. KAC97-0992, Superior Court of San Juan, Puerto Rico. Wal-Mart Puerto Rico, Inc. ("Wal-Mart") filed suit against the Company regarding a construction contract dispute. Wal-Mart appointed a construction manager responsible for the oversight of construction. Actual construction costs exceeded the contract amount. Both parties claim their maximum share of the total cost was limited and the other party is responsible for costs that exceeded the agreed upon amount. On August 30, 2001, LDA entered into a settlement agreement with the construction contractor (Rexach Construction Company, Inc.). The Company paid the contractor \$620,000 for cost overruns and agreed to pay an additional \$79,000 of repairs that are needed. In February 2002 LDA paid Wal-Mart \$233,000 in full settlement of this case.

Land Development Associates, S.E. vs. Wal-Mart Puerto Rico, Inc., No. FPE2001-0467(405), District Court, Carolina, Commonwealth of Puerto Rico. On July 12, 2001 LDA filed an injunction action against Wal-Mart Puerto Rico, Inc. to stop it from constructing any additional commercial footage in the shopping center. The original contract between the parties called for a total of 600,000 square feet of commercial space; allotted to Wal-Mart. LDA contends that Wal-Mart has constructed 698,000 square feet of commercial space and continues construction. Wal-Mart issued a request for dismissal on September 28, 2001. On October 9, 2001 LDA filed an opposition to the request for dismissal. The case was settled on March 7, 2002. Pursuant to the terms of the settlement, Plaza Escorial Partners, S.E. ("PEPSE" and successor to Wal-Mart) agreed to pay \$1 per square foot for development in excess of 600,000 square feet and agreed to a series of restrictions on additional development. The document has been submitted to the District Court for its final approval.

St. Charles Associates Limited Partnership, et al. v. County Commissioners of Charles County, et al.

, No. 89-720 (Circuit Court for Charles County, Maryland). The Company sought, among other things, a court ruling that Charles County was not entitled to impose sewer and water connection fees at the then-existing level upon residential units in St. Charles Communities. That aspect of the litigation was settled by a Settlement Agreement dated November 1989, which was confirmed in a Consent Decree entered in March 1990. Subsequent litigation has resulted from disputes over the interpretation of the Settlement Agreement and Consent Decree. The principal issues have been (1) whether studies procured by the County in 1991, 1992, 1996 and 2000 justify the level of sewer and water connection fees which the County imposes upon the St. Charles Communities and (2) whether the Company is entitled to recover what it regards as excessive sewer and water connection fees already paid.

On October 6, 1999, the Maryland Court of Special Appeals concluded that the 1996 study procured by the County justified the County's imposition of increased water connection fees, but did not justify a similar increase in sewer connection fees. The Court further held that the Company may not pursue refund claims for connection fees paid before May 15, 1992 because of an "accord and satisfaction" as to refund claims before that date. The Maryland Court of Appeals declined to review the case, so the decision of the Court of Special Appeals is now final.

On October 19, 2000, the County submitted to the Company a new sewer connection fee study (dated October 12, 2000) which the County claims justifies increasing sewer connection fees in St. Charles Communities. The Company filed objections and is in the process of challenging its validity under the 1989 Agreement in the Circuit Court for Charles County.

The County also appealed an injunction issued by the Circuit Court limiting the amount that the County may charge for sewer connection fees on residential properties located in St. Charles Communities. On December 5, 2000, the Court of Special Appeals affirmed the Circuit Court and held that the sewer connection fee limitation is a covenant that runs with the land in St. Charles Communities and, therefore, the right to reduced sewer connection fees extends to all those to whom land is sold in St. Charles Communities. In November 2001, the Court of Appeals of Maryland affirmed the decision.

Also pending in the Maryland Tax Court, a state administrative agency, are the Company's claims for refunds of sewer connection fee overpayments from May 15, 1992 to the present.

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

None.

ITEM 4A. EXECUTIVE OFFICERS

The executive officers of the Company as of December 31, 2001 are as follows:

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|---------------------|------------|--|
| J. Michael Wilson | 36 | Chairman and Chief Executive Officer |
| Edwin L. Kelly | 60 | President and Chief Operating Officer |
| Paul A. Resnik | 54 | Senior Vice President and Secretary |
| Carlos R. Rodriguez | 56 | Senior Vice President |
| Eduardo Cruz Ocasio | 55 | Vice President and Assistant Secretary |
| Cynthia L. Hedrick | 49 | Vice President |
| Nancy M. Shambaugh | 44 | Vice President |
| Richard E. Barnas | 41 | Vice President |
| Hector O. Ramos | 44 | Vice President and Assistant Secretary |
| Jorge Garcia | 63 | Vice President of IGP |

The following is a brief account of the business experience during the past five years through December 31, 2001 of each officer:

J. Michael Wilson was appointed Chairman and Chief Executive Officer of the Company in July 1998. Prior to that date, he served as Vice Chairman, Secretary and Chief Financial Officer of the predecessor company. He has been President and Chief Operating Officer of IBC since 1994. He has been President of Wilson Securities Corporation since March 1996.

Edwin L. Kelly was appointed President and Chief Operating Officer of the Company in July 1998. Prior to that date, he served in various capacities with the predecessor company and its affiliates.

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Paul A. Resnik was appointed Senior Vice President and Secretary of the Company in July 1998. He served as Senior Vice President of the predecessor company from 1993-1998.

Carlos R. Rodriguez was appointed Executive Vice President of the Company in January 2002 after serving as Senior Vice President since June 1999. Prior to that date, he served in various capacities with the predecessor company and its affiliates.

Eduardo Cruz Ocasio was appointed Vice President and Assistant Secretary of the Company in July 1998. Prior to that date, he served in various capacities with the predecessor company.

Cynthia L. Hedrick was appointed Vice President of the Company in November 1998. Prior to that date, she served as Vice President of the predecessor company.

Nancy M. Shambaugh was appointed Vice President of the Company in November 1998. Prior to that date, she served in various capacities with the predecessor company.

Richard E. Barnas was appointed Vice President of the Company in January 1999 after serving as Vice President of the predecessor company since May 1998. He served as Branch Manager of McCrone, Inc., an engineering firm, from May 1997 to April 1998. Prior to that date, he served as President of Barnas Engineering, P.C.

Hector O. Ramos was appointed Vice President and Assistant Secretary of the Company in June 1999. He held the position of Chief Financial Officer of Blue Cross of Puerto Rico, Inc. from October 1987 to May 1999. Prior to that date, he served in various capacities with Blue Cross of Puerto Rico, Inc.

Jorge Garcia was appointed Vice President of IGP in January 1999. He served as Vice President and General Manager of Fountainebleu Plaza, S.E., a real estate development firm, from January 1994 to December 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

ACPT's shares are traded on the American and the Pacific Stock Exchanges under the symbol "APO". The following table sets forth, for the periods indicated, the high and low sales prices per ACPT share as reported in the consolidated transaction reporting system, and cash distributions paid to shareholders during these periods. ACPT's shares commenced public trading on October 6, 1998.

| | | | Cash Dividends | | | Price Range of ACPT Shares | | |
|------|--|---------|----------------|--|-----------|----------------------------|--|---------|
| | | | Total | | Per Share | High | | Low |
| | | | | | | | | |
| 2001 | | Quarter | | | | | | |
| | | Fourth | \$ - | | \$ - | \$ 6.25 | | \$ 4.80 |
| | | Third | - | | - | 5.14 | | 4.75 |
| | | Second | - | | - | 5.10 | | 4.90 |
| | | First | - | | - | 6.50 | | 4.00 |
| | | | | | | | | |

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| | | | | | | | | | |
|------|--|---------|--|------|--|------|--|---------|---------|
| 2000 | | Quarter | | | | | | | |
| | | Fourth | | \$ - | | \$ - | | \$ 4.50 | \$ 4.13 |
| | | Third | | - | | - | | 4.63 | 4.06 |
| | | Second | | - | | - | | 5.38 | 3.75 |
| | | First | | - | | - | | 6.50 | 3.13 |

As of the close of business on March 1, 2002, there were 176 shareholders of record. As of March 1, 2002, the closing price reported by the American Stock Exchange was \$7.50 per share.

Cash available for distribution will be determined at the discretion of the Board of Trustees. The Board of Trustees will review the adequacy of the Company's distribution rate quarterly. Future distributions by the Company will depend on its financial condition, capital requirements, and such other factors as the Board of Trustees deems relevant. The Board of Trustees will make minimum annual distributions to the shareholders equal to at least 45% of the net taxable income allocated to the shareholders reduced by any Puerto Rico income tax paid by ACPT and any U.S. federal income taxes paid by American Rental with respect to undistributed capital gains.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth financial and operating information of ACPT for the five year period ended December 31, 2001 as if it had been a separate company operating for all periods presented. It should be read in conjunction with the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

| | Year Ended December 31, | | | | | | | |
|--------------------------------------|-------------------------|--|-----------|--|-----------|--|-----------|-----------|
| | 2001 | | 2000 | | 1999 | | 1998 | 1997 |
| | (In thousands) | | | | | | | |
| Income Statement Data: | | | | | | | | |
| Land sales | \$ 16,991 | | \$ 13,576 | | \$ 17,520 | | \$ 16,670 | \$ 13,165 |
| Rental property revenues | 10,299 | | 9,738 | | 9,229 | | 8,979 | 8,737 |
| Management and other fees | 3,341 | | 3,738 | | 3,213 | | 3,447 | 3,775 |
| Equity in earnings from partnerships | | | | | | | | |
| and developer fees | 2,184 | | 3,234 | | 1,396 | | 1,638 | 1,509 |
| Gain from expropriation | 630 | | - | | - | | - | - |
| Interest and other income | 902 | | 1,185 | | 1,189 | | 1,031 | 943 |
| Total revenues | 34,347 | | 31,471 | | 32,547 | | 31,765 | 28,129 |
| Cost of land sales | 11,922 | | 8,783 | | 10,947 | | 11,106 | 8,494 |
| Interest expense | 3,864 | | 4,535 | | 4,183 | | 3,724 | 3,820 |
| General and administrative expense | 6,497 | | 6,357 | | 6,051 | | 5,793 | 6,607 |
| | | | | | | | | |

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| | | | | | |
|---|---------|---------|---------|---------|---------|
| Other operating expenses | 6,286 | 5,990 | 6,347 | 7,974 | 6,744 |
| Total expenses | 28,569 | 25,665 | 27,528 | 28,597 | 25,665 |
| Minority interest | (323) | (226) | (414) | (697) | (600) |
| Income tax provision | 1,652 | 1,898 | 18 | 1,289 | 470 |
| Extraordinary item-early extinguishment of debt | | | | | |
| (less applicable income taxes of \$149) | 663 | - | - | - | - |
| Net income | 3,140 | 3,682 | 4,587 | 1,182 | 1,394 |
| Basic and fully diluted earnings per share | \$ 0.60 | \$ 0.71 | \$ 0.88 | \$ 0.23 | \$ 0.27 |
| Balance Sheet Data: | | | | | |
| Assets related to rental properties | 43,734 | 45,595 | 47,345 | 47,577 | 47,421 |
| Assets related to commercial properties | 5,021 | 5,174 | 4,996 | 4,535 | - |
| Assets related to community development | 59,442 | 63,558 | 60,152 | 57,683 | 61,647 |
| Assets related to homebuilding | 6,929 | 211 | - | - | - |
| Cash and other assets | 8,914 | 10,165 | 8,915 | 8,371 | 6,054 |
| Total assets | 124,040 | 124,703 | 121,408 | 118,166 | 115,122 |
| Debt related to rental properties | | | | | |
| Recourse | 427 | 602 | 882 | 2,723 | 969 |
| Non-recourse | 37,102 | 37,677 | 38,188 | 38,662 | 39,101 |
| Debt related to community development | | | | | |
| Recourse | 37,327 | 45,855 | 42,497 | 42,013 | 39,784 |
| Non-recourse | - | - | - | - | 2,295 |
| Debt related to homebuilding | | | | | |
| Recourse | 6,194 | - | - | - | - |
| Other liabilities | 13,856 | 14,565 | 17,604 | 18,035 | 16,957 |
| Total liabilities | 94,906 | 98,699 | 99,171 | 101,433 | 99,106 |
| Shareholders' equity | 29,134 | 26,004 | 22,237 | 16,733 | 16,016 |

| | Year Ended December 31, | | | | |
|--|-------------------------|------|------|------|------|
| | 2001 | 2000 | 1999 | 1998 | 1997 |

| | (In thousands) | | | | | | | |
|---|----------------|-----------|-----------|-----------|----------|--|--|--|
| Operating Data: | | | | | | | | |
| Rental apartment units managed at | | | | | | | | |
| end of period (includes remaining units | | | | | | | | |
| under condominium conversion) | 7,747 | 7,756 | 8,566 | 8,650 | 8,139 | | | |
| Units converted to condominiums and sold | 9 | 299 | 84 | - | - | | | |
| Community Development | | | | | | | | |
| Residential lots sold | 333 | 438 | 222 | 399 | 231 | | | |
| Residential lots transferred to homebuilding | 208 | - | - | - | - | | | |
| Residential lots transferred to joint venture | - | - | - | - | 118 | | | |
| Commercial and business park acres sold | 59 | 5 | 97 | 43 | 17 | | | |
| Undeveloped acres sold | - | - | - | - | 381 | | | |
| Other: | | | | | | | | |
| EBITDA (1) | \$ 13,463 | \$ 14,078 | \$ 12,929 | \$ 10,808 | \$ 8,704 | | | |

1. EBITDA - Earnings before interest, taxes, depreciation and amortization is presented as a comparative measurement tool. It is calculated by adding back to net income, interest expense, interest included in cost of sales, extraordinary item for the early extinguishment of debt, provision for income taxes, depreciation and amortization.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Forward-Looking Statements

Certain matters discussed and statements made within this Form 10-K are forward-looking statements within the meaning of the Private Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance or achievements of the Company to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. These risks are detailed periodically in the Company's filings with the Securities and Exchange Commission or other public statements.

General:

Historically, the Company's financial results have been affected significantly by the cyclical nature of the real estate industry. Accordingly, the Company's historical financial statements may not be indicative of future results.

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The Company's financial statements are prepared in accordance with Generally Accepted Accounting Principles through the Company's accounting policies. These policies may require the use of estimates. The most critical policy used involves the allocation of land and development costs to the lots or parcels sold in any given period. The cost of sales is determined by the relative sales value method which relies on estimated costs and sales values. Residential and commercial land sales can be highly cyclical. Once development is undertaken, no assurances can be given that the Company will be able to sell the various developed lots in a timely manner. Failure to sell such lots in a timely manner could result in significantly increased carrying costs and erosion or elimination of profit with respect to any development. Even though our cost estimates are based on outside engineers' cost estimates, historical cost and current actual development costs can exceed estimates for various reasons, including but not limited to unknown site conditions, rising prices and changes in government regulations. Any estimates of such costs may differ substantially from the actual results of such costs and reduce or eliminate the future profits with respect to any development.

For the Years Ended December 31, 2001 and 2000

U.S.

Community Development Operations.

Community development land sales revenue increased by \$6,289,000 to \$10,178,000 during the twelve months ended December 31, 2001, compared to sales of \$3,889,000 during the twelve months ended December 31, 2000. During 2001, 87 single-family lots were sold for an average sales price of \$50,800 and 26 townhome lots for an average sales price of \$32,900, compared to 51 single-family lots for an average sales prices of \$49,900 and 19 townhome lots for an average sales price of \$32,100 during 2000. Residential lot sales volume and price increased during 2001, compared to the same period in 2000, primarily due to the increased demand in Fairway Village. During 2001, 59 acres of commercial land were sold for a sales price that ranged from \$.92 to \$12.58 per square foot, depending on its location and level of onsite development, as compared to five acres for an average sales price ranging from \$2.52 to \$8.04 per square foot during 2000. Commercial land sales are cyclical and usually have a noticeable positive effect on the Company's earnings in the period they reach settlement.

The gross profit margin for the twelve months ended December 31, 2001 increased to 35%, compared to 12% in the same period of 2001. The increase was primarily attributable to the increased sales volume that provides a larger offset for the period costs and to the mix of sales. Certain commercial parcels typically produce higher gross profits due to their location and relatively lower development costs. The average gross profit margin on commercial sales increased to 51% during 2001 from 22% in 2000. The parcels sold in 2001 were primarily in industrial areas that required less onsite development costs than those sold in 2000. The average gross profit margin of the residential lots in Fairway increased to 31% in 2001 from 29% as a result of the increased per lot sales price in 2001 as compared to the sales prices in 2000.

Rental Property Revenues and Operating Results.

The Company's share of the consolidated housing partnerships' net income (rental property revenue net of operating expenses, interest expense, depreciation and amortization and minority interest) increased 39% to \$1,817,000 for the twelve months ended December 31, 2001, compared to \$1,305,000 in the same period of 2000. This increase is primarily attributable to a 6% increase in rental revenue, 6% reduction in interest expense, 9% reduction in depreciation and amortization, offset in part by a 7% increase in operating expenses and a corresponding increase in minority interest. The increase in rental revenue is a result of reduced vacancies and increased rental rates due to the demand for rental housing during the year. The increase in operating expense is primarily due to a 102% increase in

hazard insurance premium effective October 1, 2001 and increased maintenance costs. The increase in maintenance cost is expected to continue over the next year in conjunction with our overall efforts to increase the value of our properties in St. Charles.

Equity in Earnings from Partnerships and Developer Fees.

Equity in earnings increased \$201,000 to \$848,000 during the twelve months ended December 31, 2001, compared to \$647,000 during the twelve months ended December 31, 2000. The increase is primarily attributable to a subsidy contract adjustment providing retroactive rent increases for one partnership and as a result of a stronger demand for rental housing during 2001. In addition, our share of cash flow from a partnership increased to 60% from 5% after the limited partners recovered their capital investment in the third quarter of 2000. As a result, an additional \$74,000 of earnings was recognized during 2001, compared to the same period in 2000.

Management and Other Fees.

Management and other fees decreased 4% to \$1,194,000 in twelve months ended December 31, 2001, as compared to \$1,241,000 in the same period in 2000. The decrease is primarily due to the recognition of \$100,000 of incentive management fees in 2000 with no comparable fees in 2001, offset by an increase in management fees earned from the unconsolidated housing partnerships due to the increase in apartment rental rates and reduced vacancy rates.

Interest Expense.

Interest expense decreased 15% to \$1,353,000 during the twelve months ended December 31, 2001, as compared to \$1,587,000 in the same period of 2000. The decrease is primarily attributable to a decrease in the prime-lending rate and a decrease in the outstanding debt during 2001, compared to the same period in 2000. Interest incurred during 2001 was \$174,000 less than interest incurred during 2000. Of the interest incurred, 37% was expensed and 63% capitalized in 2001, compared to 32% and 68%, respectively, in 2000.

Write-off of Deferred Costs

.

During 2001, we evaluated a potential acquisition to our apartment investment portfolio. The complex did not meet our acquisition requirements and we wrote off the costs we incurred during this process, \$126,000, with no similar write-off in 2000.

General and Administrative Expense.

General and administrative expenses increased less than 2% to \$2,596,000 during the twelve months ended December 31, 2001, as compared to \$2,553,000 during the twelve months ended December 31, 2000, which is consistent with general inflation. In addition, certain costs increased or decreased due to certain events during 2001 as compared to 2000. During 2001, the Company granted 170,000 incentive rights to the independent trustees and certain employees and repriced the incentive rights transferred from IGC, resulting in the recognition of \$153,000 of

compensation expense in 2001 with no similar costs incurred during 2000. January 2001 a new Trustee was added to our board, increasing the corporate costs by the average annual trustee fee of \$26,000. Director and officer liability insurance was obtained in April 2000, generating an expense for nine months in 2000, compared to a full year in 2001. The annual cost for the policy increased 18% when it was renewed in 2001. However, a 33% cost savings in our annual premiums was achieved when we changed our group insurance carrier effective July 1, 2001. Other cost savings were attained in 2001 compared to 2000 when the annual consulting fee to James J. Wilson was reduced to \$200,000 from \$500,000 in October 2000, in addition to a reduction of legal, accounting and tax consulting services needed.

Extraordinary Item - Early Extinguishment of Debt

On November 26, 2001, the Red Mortgage Capital ("RMC") term loan was refinanced with an \$8,000,000 loan from SouthTrust Bank. The three year loan bears interest at a rate of prime plus .75%, replacing the 10% floor on the RMC loan. The loan is secured by the same land in St. Charles that secured the RMC loan, but the encumbrances on the Company's interest in most of the housing partnerships were released. Unamortized loan fees and warrants of \$812,000 combined with the income tax benefit of \$149,000 were charged as an extraordinary item during 2001. There were no similar expenses in 2000.

Puerto Rico

Community Development Operations.

Community development land sales revenue decreased \$2,874,000 to \$6,813,000 during the twelve months ended December 31, 2001, compared to sales of \$9,687,000 during the twelve months ended December 31, 2000. Residential land in Parque Escorial is sold by the parcel rather than by the lot. During 2000 two parcels providing land for 368 condominium units were sold. In 2001 one parcel for 220 units was sold and one parcel was transferred to our wholly owned subsidiary to construct and sell 208 condominium units. Therefore, our land sales revenue decreased this year, but profits of the transferred parcel will be reflected in home sales when the units are sold to the homebuyer. The decrease in the sales revenue was offset in part by the increase in sales prices from \$25,000 to \$32,000 per unit. Lot prices are discounted for revenue recognition by the imputed interest on the notes taken back for 80% of the sales price. Typically the terms of notes are less than one year. In 2001, sales revenue was reduced by \$227,000 and \$512,000 in 2000 to reflect the discounts on these notes.

Gross profit margin decreased to 23% during the twelve months ended December 31, 2001, from 45% in the same period in 2000. During 2001, the Company incurred \$169,000 of costs associated with the clean up of unsuitable materials located beneath the surface of a parcel sold in 2000. In addition, the Company agreed to pay a contractor \$699,000, \$620,000 has been paid, for cost overruns at issue in the Wal-Mart litigation. In February 2002, we paid Wal-Mart \$233,000 for additional cost overruns resolving this litigation. Based on these additional costs and our plans to provide upscale dwelling units in Parque Escorial's next phase, we updated the cost estimates for the remainder of the project with the aid of outside engineers, resulting in a \$1,386,000 increase in the 2001 cost of sales.

Equity in Earnings from Partnerships and Developer Fees.

Equity in earnings decreased 48% to \$1,336,000 during the twelve months ended December 31, 2001, compared to \$2,587,000 in 2000. The decrease is primarily due to a reduction in earnings from two partnerships that converted 392 rental units to condominium units. Most of the condominium units were sold in 2000 generating \$1,679,000 of revenues, compared to \$36,000 in 2001. This decrease was offset in part by the recognition of \$806,000 during 2001 from ELI, S.E., compared to \$454,000 in 2000. ELI commenced operations in July 2000.

Management and Other Fees.

Management and other fees decreased 14% to \$2,147,000 in the twelve months ended December 31, 2001, compared to \$2,497,000 in the same period in 2000. This decrease is attributable to the expiration of four short-term management contracts with the PR Housing Finance Authority and fees earned from two partnerships that converted 392 rental units into condominiums. Most of the condominiums were sold in 2000 resulting in \$685,000 of additional fees earned during 2000, compared to \$52,000 in 2001. These decreases were offset in part by an increase during 2001 in the management fee rate for six properties and HUD's approval in 2001 to the adjustment in the subsidy income of various non-owned properties. During 2001, we established the books and records for the homeowners and commercial associations in Parque Escorial, producing \$202,000 in fees for these and general management services.

Gain from expropriation

During 1998, the Puerto Rico Highway Authority ("PRHA") expropriated 52 cuerdas located in Parque El Comandante to construct a highway and as compensation the government deposited \$783,000 into an account for the Company. The Company disputed the condemnation price of \$15,000 per cuerda and filed an appeal seeking additional compensation to match the market value of the land. On June 26, 2001, the PRHA and the Company executed a settlement agreement increasing the condemnation award per cuerda to \$35,000 for a total of 54 cuerdas. The Company received \$1,245,000 in compensation plus interest on the additional condemnation award from the date of expropriation in 1998. This transaction resulted in a \$630,000 gain and the recognition of \$121,000 of interest in 2001. There were no similar transactions during 2000.

Interest Expense.

Interest expense decreased 26% to \$893,000 during the twelve months ended December 31, 2001, compared to \$1,232,000 in 2000. This decrease is primarily attributable to reduced outstanding balances of the term loans and an overall reduction in the prime-lending rate during 2001.

Write-off of Deferred Costs.

During 2001, \$101,000 of capitalized deferred project costs related to the development of the entertainment complex in Parque El Comandante was written off with no similar write-offs during 2000.

General and Administrative Expense.

General and administrative expenses increased less than 3% to \$3,901,000 during the twelve months ended December 31, 2001, as compared to \$3,804,000 during the twelve months ended December 31, 2000. In addition to general inflation the municipal taxes increased by 42% in 2001 compared to 2000 and \$164,000 due from the Parque Escorial Commercial Owners Association was written off during 2001. These increases were partially offset by an increase in the salaries eligible for capitalization during 2001 compared to 2000.

For the Years Ended December 31, 2000 and 1999

U.S.

Community Development Operations.

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Community development land sales decreased \$875,000 to \$3,889,000 during the twelve months ended December 31, 2000, compared to sales of \$4,764,000 during the twelve months ended December 31, 1999. The decrease was attributable to 91 acres of commercial and industrial land sales of \$3,770,000 during 1999, compared to 5 acres for \$736,000 during 2000. This was offset by the sales during 2000 of 51 single-family lots and 19 townhome lots for an aggregate residential sales revenue of \$3,152,000, compared to 17 single-family lots and 5 townhome lots totaling \$994,000 during the same period of 1999. The increase in residential land sales is primarily attributable to the grand opening of Fairway Village, the newest village in St. Charles.

The gross profit margin for the twelve months ended December 31, 2000 decreased to 12% compared to 48% in the same period of 1999. The decrease is primarily due to the reduction of sales during 2000 with no corresponding reduction in period costs and the mix of sales in 2000 compared to 1999.

Rental Property Revenues and Operating Results.

Rental property revenues, net of operating expenses, increased 7% to \$5,883,000 for the twelve months ended December 31, 2000, compared to \$5,499,000 in the same period in 1999. The increase is primarily attributable to cable marketing fees earned in 2000 with none in 1999, an increase during 2000 in the rental rates coupled with a reduction in vacancies as compared to those in 1999.

Equity in Earnings from Partnerships and Developer Fees.

Equity in earnings increased 9% to \$647,000 during the twelve months ended December 31, 2000, compared to \$595,000 during the twelve months ended December 31, 1999. The increase is primarily attributable to a reduction in vacancies and increased rental rates in one partnership that resulted in the recognition of an additional \$43,000 of earnings in 2000 compared to 1999. In addition, the Company's share of cash flow from one partnership increased to 60% from 5% after the limited partners recovered their capital investment in the third quarter of 2000. As a result, the Company recognized an additional \$24,000 of earnings during 2000 compared to the same period in 1999.

Management and Other Fees.

Management and other fees increased 27% to \$1,241,000 in the twelve months ended December 31, 2000, compared to \$977,000 in the same period in 1999. This increase is primarily due to the recognition of \$100,000 of incentive management fees in 2000 with no comparable fees earned in 1999, an increase in the contracted management fees from three properties and additional management fees earned on the cable marketing fee income recognized by the housing partnerships.

Interest Expense.

Interest expense increased 73% to \$1,587,000 during the twelve months ended December 31, 2000, compared to \$918,000 in the same period in 1999. Sixty-three percent of this increase is attributable to an increase in the balance of the intercompany loans with the Puerto Rico segment during 2000 compared to the same period in 1999. The

remaining 37% of the increase is primarily due to an increase in the prime lending interest rate and an increase in outstanding debt during 2000 compared to the same period in 1999. In addition, during 2000 a decrease of inventory eligible for capitalization left a higher percent of the interest incurred to be expensed as compared to 1999.

General and Administrative Expense.

General and administrative expenses allocated to the U.S. segment increased \$108,000, 4%, to \$2,553,000 during the twelve months ended December 31, 2000, compared to \$2,445,000 during the twelve months ended December 31, 1999. This increase is primarily due to a \$172,000 reduction in the corporate expenses allocated to the Puerto Rico operations during 2000, compared to 1999. The remainder of the increase is attributable to legal expenses related to HUD compliance, director and officer insurance, preparation of the annual report and shareholder K-1's, offset in part by a reduction in bad debt expenses, and operating expenses during 2000, compared to 1999.

Puerto Rico

Community Development Operations.

Community development land sales revenue decreased \$3,068,000 to \$9,687,000 during the twelve months ended December 31, 2000, compared to sales of \$12,756,000 during the twelve months ended December 31, 1999. The decrease was attributable to commercial land sales of \$6,558,000 during 1999 with no comparable sale in 2000. This was offset by an increase of \$3,490,000 residential land sales in 2000 compared to the same period of 1999. The increase was due to the completion of the development of the next residential phase at Parque Escorial and the strong demand for finished lots. The gross profit margin for the twelve months ended December 31, 2000, increased from 33% to 45% due to the increased sales prices of the residential lots in Parque Escorial.

Equity in Earnings from Partnerships and Developer Fees.

Equity in earnings increased \$1,786,000 to \$2,587,000, during the twelve months ended December 31, 2000, compared to \$801,000 in the same period in 1999. The increase is primarily attributable to \$1,679,000 of earnings generated during 2000 from the sale of rental units converted into condominiums and \$454,000 of earnings generated from the unconsolidated commercial property partnerships, with no corresponding earnings in 1999. This increase was offset in part by the recognition during 1999 of \$373,000 of income from homebuilding joint venture that sold their last home in 1999, compared to losses and warranty expenses of \$100,000 recognized during 2000 for the same joint venture.

Management and Other Fees.

Management and other fees increased 12% to \$2,497,000 in the twelve months ended December 31, 2000, compared to \$2,236,000 in the same period in 1999. This increase is primarily due to \$684,000 of special management fees earned during 2000 from the rental units converted into condominiums, compared to \$198,000 in 1999. The increase was offset in part by the expiration of short-term management contracts for five properties.

Interest Expense.

Interest expense, exclusive of interest expense related rental properties, increased 32% to \$1,232,000 during the twelve months ended December 31, 2000, compared to \$917,000 in the same period in 1999. This increase is primarily attributable to the increase in the prime lending interest rate and an increase in the outstanding debt during

2000, compared to the same period in 1999.

General and Administrative Expense.

General and administrative expenses increased 5% to \$3,804,000 during the twelve months ended December 31, 2000, compared to \$3,606,000 during the twelve months ended December 31, 1999. This increase is primarily due to additional personnel related to the growth in the operations, legal expenses related to litigation and audit fees for the review of quarterly reports, offset in part by a reduction in services and maintenance of land lots sold. These increases were offset in part by a \$172,000 reduction in the corporate costs allocated to the Puerto Rico operations in 2000 compared to 1999.

Liquidity and Capital Resources

Cash and cash equivalents were \$4,871,000 and \$5,867,000 at December 31, 2001 and December 31, 2000, respectively. This decrease was attributable to \$14,131,000 used in investing activities and \$2,788,000 used in financing activities, offset by \$15,923,000 provided by operations. The cash outflow for investing activities was primarily attributable to \$10,149,000 of land improvements put in place for future land sales and \$3,227,000 of homebuilding improvements. During 2001, \$24,497,000 of principal curtailments was made on outstanding loans, compared to \$21,719,000 of loan proceeds and advances received. The cash inflow from operating activities was primarily attributable to land sales and distributions from unconsolidated partnerships.

The Company has historically met its liquidity requirements from cash flow generated from residential and commercial land sales, property management fees, distributions from residential rental partnerships and from bank financing providing funds for development and working capital. The Company has sufficient loans in place to develop the projects currently underway in St. Charles and Parque Escorial.

The Company's principal demands for liquidity are expected to be the continued funding of its current debt service, development costs in Fairway Village and Parque Escorial and other normal operating costs. The Company does not expect to generate significant cash flows in excess of its existing obligations. Management is pursuing additional capital which can be used by ACPT to fund new community development projects, expand its apartment investment portfolio and provide for other working capital needs. Such sources of funding may include, but are not limited to, secured or unsecured financings, private or public offerings of debt or equity securities and proceeds from sales of properties. Anticipated cash from operations, new and existing financing facilities, and extension or refinancing of \$15,143,000 of principal payments due and loans that mature in the next twelve months are expected to meet the Company's financial requirements for the year. However, there are no assurances that these funds will be generated.

Debt Summary

With the exception of its ownership interest in the housing partnerships, substantially all of ACPT's assets are encumbered by \$45,000,000 of recourse debt and \$37,000,000 of non-recourse debt. The non-recourse debt is attributable to mortgages on consolidated rental property partnerships. The significant terms of ACPT's recourse debt financing arrangements are shown below (dollars in thousands):

| | | | | | Balance |
|----------------------|------------|----------|--|----------|-------------|
| | Maximum | Interest | | Maturity | Outstanding |
| | Borrowings | Rate (a) | | Date | 12/31/01 |
| SouthTrust | \$ 8,000 | P+.75% | | 11/26/03 | \$ 7,185 |
| First Bank-Phase III | 6,002 | P+1.0% | | 6/30/03 | 1,253 |

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| | | | | | |
|---------------------------------|-----------|---------|--|----------|-----------|
| First Bank-office park | 4,961 | P+1.0% | | 6/30/02 | 4,865 |
| First Bank-working capital loan | 5,795 | P+1.0% | | 6/30/03 | 5,763 |
| First Bank-homebuilding | 25,000 | P | | 8/31/03 | 6,194 |
| The Columbia Bank | 4,997 | P+1.25% | | 2/15/06 | 4,057 |
| The Columbia Bank | 1,500 | P+1.25% | | 6/15/03 | 1,336 |
| The Columbia Bank | 2,500 | P+1.25% | | 10/15/04 | 1,163 |
| BankTrust | 427 | 5.12% | | 12/15/02 | 427 |
| Washington Savings Bank | 185 | 9.5% | | 9/30/02 | 15 |
| Banco Popular | 4,850 | P+1.0% | | 7/31/02 | 4,850 |
| KEMBT Corporation (b) | 6,839 | N/A | | 6/30/03 | 6,839 |
| Other miscellaneous | 576 | Various | | Various | 576 |
| | \$ 71,632 | | | | \$ 44,523 |

a. P = Prime lending interest rate.

b. See Note 7, Related Party Transactions to the accompanying financial statements.

During 2001, we reduced our term recourse debt by \$5,142,000 through acquisitions of development loans. The development loans are self-liquidating through the sales of the collateral and will provide funds needed to develop two parcels in Fairway Village and a 208-condominium complex in Parque Escorial. A \$8,000,000 recourse term loan was refinanced through another recourse loan that has more favorable terms and another term loan was modified to provide development funds to complete Phase III of Parque Escorial. The new \$8,000,000 loan bears an interest rate of prime plus .75% compared to the 10% interest rate floor on the replaced loan, the release prices of the collateral are less and the encumbrance on ownership interests in the housing partnerships was released.

Material Negative Debt Covenants

Lender approval is required prior to LDA or Brisas making any guarantee or loan not in the normal course of business; selling or disposing of substantially all of its assets outside the normal course of business; entering into any significant new line of business; making cash distributions in excess of distributions to pay income taxes on LDA or Brisas generated taxable income unless certain conditions exist that provide adequate working capital for debt service and operations for the following twelve months; making any change in ownership, amendments to partnership agreement or any merger reorganization or acquisition.

ITEM 7a. MARKET RISK

Market risks relating to the Company's operations result primarily from changes in the prime interest rate. It is the Company's policy to minimize the impact of variable rate debt to the greatest extent possible by pursuing equity and long term fixed rate financing and refinancings of current fixed rate debt at lower rates when favorable market conditions exist. The following table provides information about the Company's financial instruments that are sensitive to changes in interest rates. The table presents the Company's debt obligations, principal repayments, related weighted average interest rates by expected maturity dates and fair values. The Company has no derivative financial instruments.

| |
|---------------------------------------|
| Interest Rate Sensitivity |
| Principal Amount by Expected Maturity |
| Average Interest Rate |

| (In thousands) | | | | | | | | | |
|------------------------------|----------|--------|--------|--------|--------|------------|-----------|--|--------------|
| | | | | | | | | | Fair Value |
| | | | | | | | | | December 31, |
| | 2002 | 2003 | 2004 | 2005 | 2006 | Thereafter | Total | | 2001 |
| Long-term debt, including | | | | | | | | | |
| current portions: | | | | | | | | | |
| Fixed rate debt-principal | \$ 1,280 | \$ 932 | \$ 925 | \$ 861 | \$ 879 | \$ 40,083 | \$ 44,960 | | \$ 42,891 |
| Fixed rate debt-interest | 2,625 | 2,543 | 2,477 | 2,414 | 2,354 | 26,541 | 38,954 | | |
| Average interest rate | 6.78% | 7.66% | 7.52% | 7.32% | 7.14% | 5.80% | 7.04% | | 6.64% |
| Variable rate debt-principal | 13,863 | 17,545 | 4,163 | 1,000 | 95 | - | 36,666 | | |
| Variable rate debt-interest | 1,818 | 983 | 307 | 34 | 1 | - | 3,143 | | |
| Average interest rate | 5.85% | 5.59% | 5.77% | 6.25% | 6.25% | - | 5.94% | | 5.94% |

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of

American Community Properties Trust:

We have audited the accompanying consolidated balance sheets of American Community Properties Trust (a Maryland real estate investment trust) and subsidiaries (the "Company") as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Community Properties Trust and its subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The financial statement schedule included on pages 54 through 58 of the Form 10-K is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Vienna, Virginia

April 15, 2002

| AMERICAN COMMUNITY PROPERTIES TRUST CONSOLIDATED STATEMENTS OF INCOME | | | | | |
|--|--------------------------|--|-----------|--|-----------|
| (In thousands, except per share amounts) | | | | | |
| | YEARS ENDED DECEMBER 31, | | | | |
| | 2001 | | 2000 | | 1999 |
| Revenues | | | | | |
| Community development-land sales | | | | | |
| Non-affiliates | \$ 16,991 | | \$ 13,576 | | \$ 15,943 |
| Affiliates | - | | - | | 1,577 |
| Equity in earnings from partnerships and developer fees | 2,184 | | 3,234 | | 1,396 |

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| | | | | | |
|---|-----------|--|----------|--|----------|
| Rental property revenues | 10,299 | | 9,738 | | 9,229 |
| Management and other fees, substantially all from related entities | 3,341 | | 3,738 | | 3,213 |
| Gain from expropriation | 630 | | - | | - |
| Interest and other income | 902 | | 1,185 | | 1,189 |
| Total revenues | 34,347 | | 31,471 | | 32,547 |
| Expenses | | | | | |
| Cost of land sales, including costs of sales to affiliates of \$0, \$0, and \$1,319, respectively | 11,922 | | 8,783 | | 10,947 |
| Selling and marketing | 69 | | 74 | | 203 |
| Rental properties expenses: | | | | | |
| Operating | 4,111 | | 3,855 | | 3,730 |
| Interest | 2,327 | | 2,465 | | 2,503 |
| Depreciation and amortization | 1,721 | | 1,887 | | 1,848 |
| General and administrative | 6,497 | | 6,357 | | 6,051 |
| Interest expense-other | 1,537 | | 2,070 | | 1,680 |
| Depreciation and amortization-other | 158 | | 174 | | 200 |
| Write-off of deferred project costs | 227 | | - | | - |
| Syndication and spin-off costs | - | | - | | 366 |
| Total expenses | 28,569 | | 25,665 | | 27,528 |
| Income before provision for income taxes and minority interest | 5,778 | | 5,806 | | 5,019 |
| Provision for income taxes | 1,652 | | 1,898 | | 18 |
| Income before minority interest and extraordinary item | 4,126 | | 3,908 | | 5,001 |
| Minority interest | (323) | | (226) | | (414) |
| Income before extraordinary item | 3,803 | | 3,682 | | 4,587 |
| Extraordinary item - early extinguishment of debt (less applicable income taxes of \$149) | (663) | | - | | - |
| Net income | \$ 3,140 | | \$ 3,682 | | \$ 4,587 |
| Basic and fully diluted income per share | | | | | |
| Income before extraordinary item | \$ 0.73 | | \$ 0.71 | | \$ 0.88 |
| Extraordinary item | \$ (0.13) | | \$ - | | \$ - |
| Net income | \$ 0.60 | | \$ 0.71 | | \$ 0.88 |
| Weighted average shares outstanding-basic | 5,192 | | 5,192 | | 5,192 |

| | | | | | |
|---|-----------------------|--|-------|----------|-------|
| Weighted average shares outstanding-diluted | 5,204 | | 5,192 | | 5,192 |
| | | | | | |
| The accompanying notes are an integral part of these consolidated statements. | | | | | |
| <p style="text-align: center;">AMERICAN COMMUNITY PROPERTIES TRUST CONSOLIDATED BALANCE SHEETS</p> <p>(In thousands)</p> <p>ASSETS</p> | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | AS OF DECEMBER 31, | | | | |
| | 2001 | | | 2000 | |
| | | | | | |
| Cash and Cash Equivalents | | | | | |
| Unrestricted | \$ 4,871 | | | \$ 5,867 | |
| Restricted | 1,216 | | | 951 | |
| | 6,087 | | | 6,818 | |
| Assets Related to Investment Properties | | | | | |
| Operating properties, net of accumulated depreciation of | | | | | |
| \$25,071 and \$24,567, respectively | 34,044 | | | 35,805 | |
| Investment in unconsolidated apartment partnerships, net of | | | | | |
| deferred income of \$380 and \$875, respectively | 8,452 | | | 8,306 | |
| Investment in unconsolidated commercial property partnerships | 5,021 | | | 5,174 | |
| Other receivables, net of reserves of \$203 and \$200, respectively | 1,238 | | | 1,484 | |
| | 48,755 | | | 50,769 | |
| Assets Related to Community Development | | | | | |
| Land and development costs | | | | | |
| Puerto Rico | 26,133 | | | 29,595 | |
| St. Charles, Maryland | 27,317 | | | 29,119 | |
| Notes receivable on lot sales and other | 5,992 | | | 4,844 | |
| | 59,442 | | | 63,558 | |
| Assets Related to Homebuilding | | | | | |
| | 6,929 | | | 211 | |
| Homebuilding construction and land | | | | | |
| | | | | | |
| Other Assets | | | | | |
| Receivables and other | 2,162 | | | 2,970 | |
| | | | | | |

[illegible]

AMERICAN COMMUNITY PROPERTIES TRUST
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | | |
|---|-----------------------|--|--------|
| | | | |
| | | | |
| | | | |
| | AS OF DECEMBER 31, | | |
| | 2001 | | 2000 |
| | | | |
| Liabilities Related to Investment Properties | | | |
| Recourse debt | \$ 427 | | \$ 602 |
| Non-recourse debt | 37,102 | | 37,677 |
| Accounts payable, accrued liabilities and deferred income | 2,772 | | 2,589 |
| | 40,301 | | 40,868 |
| | | | |
| Liabilities Related to Community Development | | | |
| Recourse debt | 37,327 | | 45,855 |
| Accounts payable, accrued liabilities and deferred income | 3,442 | | 4,043 |
| | 40,769 | | 49,898 |
| | | | |
| Liabilities Related to Homebuilding | | | |
| | 6,194 | | - |

| | | | |
|--|------------|--|------------|
| Recourse debt | | | |
| | 576 | | - |
| Accounts payable and accrued liabilities | | | |
| | 6,770 | | - |
| Other Liabilities | | | |
| Accounts payable and accrued liabilities | 1,933 | | 2,340 |
| Notes payable and capital leases | 576 | | 270 |
| Accrued income tax liability-current | 1,179 | | 2,288 |
| Accrued income tax liability-deferred | 3,378 | | 3,035 |
| | 7,066 | | 7,933 |
| Total Liabilities | 94,906 | | 98,699 |
| Shareholders' Equity | | | |
| Common shares, \$.01 par value, 10,000,000 shares authorized, 5,191,554 shares issued and outstanding as of | | | |
| December 31, 2001 and 2000 | 52 | | 52 |
| Treasury stock, 17,359 shares at cost, \$5 | (87) | | - |
| Additional paid-in capital | 18,354 | | 18,277 |
| Retained earnings | 10,815 | | 7,675 |
| Total Shareholders' Equity | 29,134 | | 26,004 |
| Total Liabilities and Shareholders' Equity | \$ 124,040 | | \$ 124,703 |
| The accompanying notes are an integral part of these consolidated statements. | | | |

AMERICAN COMMUNITY PROPERTIES TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

| | | | | | Additional | Retained | |
|--|---------------|-----------|----------|---------|------------|----------|--|
| | Common Shares | | Treasury | Paid-in | Earnings | | |
| | Number | Par Value | Stock | Capital | (Deficit) | Total | |
| | | | | | | | |

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[illegible]

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

| AMERICAN COMMUNITY PROPERTIES TRUST CONSOLIDATED STATEMENTS OF CASH FLOWS | | | | | |
|--|--------------------------|--|----------|--|----------|
| (In thousands) | | | | | |
| | YEARS ENDED DECEMBER 31, | | | | |
| | 2001 | | 2000 | | 1999 |
| Cash Flows from Operating Activities | | | | | |
| Net income | \$ 3,140 | | \$ 3,682 | | \$ 4,587 |
| Adjustments to reconcile net income to net cash provided | | | | | |
| By operating activities: | | | | | |
| Extraordinary item, net of income taxes | 663 | | - | | - |
| Depreciation and amortization | 1,879 | | 2,061 | | 2,048 |
| Provision (benefit) for deferred income taxes | 343 | | (375) | | (1,885) |
| Equity in earnings-unconsolidated apartment | | | | | |
| partnerships and developer fees | (1,378) | | (2,880) | | (1,026) |
| Distributions-unconsolidated apartment partnerships | 1,297 | | 468 | | 2,076 |
| Equity in (earnings) losses-unconsolidated commercial | | | | | |
| property partnerships | (806) | | (454) | | 3 |
| Distributions-unconsolidated commercial property | 959 | | 646 | | 327 |
| partnerships | | | | | |
| Cost of sales-community development | 11,922 | | 8,783 | | 10,947 |
| Equity in losses (earnings) and warranties-homebuilding | - | | 100 | | (373) |
| joint venture | | | | | |
| Distributions-homebuilding joint venture | - | | 107 | | 1,375 |
| Changes in notes and accounts receivable | (887) | | 3,859 | | (3,337) |
| Changes in accounts payable, accrued liabilities and | (1,209) | | (2,260) | | 1,471 |
| deferred income | | | | | |
| Net cash provided by operating activities | 15,923 | | 13,737 | | 16,213 |
| Cash Flows from Investing Activities | | | | | |
| Investment in land development | (10,149) | | (13,513) | | (10,652) |
| Investment in homebuilding | (3,227) | | (211) | | - |
| Change in investments-unconsolidated apartment | (65) | | 761 | | (92) |
| partnerships | | | | | |

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| | | | |
|---|----------|----------|----------|
| Change in investments-unconsolidated commercial property partnerships | - | (370) | (791) |
| Change in investment-homebuilding joint venture | - | (64) | - |
| Change in restricted cash | (265) | (165) | 381 |
| Dispositions of (additions to) rental operating properties, net | 40 | (1,533) | (1,069) |
| Acquisitions of other assets | (465) | (449) | (69) |
| Net cash used in investing activities | (14,131) | (15,544) | (12,292) |
| Cash Flows from Financing Activities | | | |
| Cash proceeds from debt financing | 21,719 | 21,855 | 10,065 |
| Payment of debt | (24,497) | (19,450) | (11,788) |
| Issuance of warrants | 77 | 83 | 85 |
| Acquisition of treasury stock | (87) | - | - |
| Net cash (used in) provided by financing activities | (2,788) | 2,488 | (1,638) |
| Net (Decrease) Increase in Cash and Cash Equivalents | (996) | 681 | 2,283 |
| Cash and Cash Equivalents, Beginning of Year | 5,867 | 5,186 | 2,903 |
| Cash and Cash Equivalents, End of Year | \$ 4,871 | \$ 5,867 | \$ 5,186 |
| The accompanying notes are an integral part of these consolidated statements. | | | |

AMERICAN COMMUNITY PROPERTIES TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

(1) ORGANIZATION

American Community Properties Trust ("ACPT") was formed on March 17, 1997 as a real estate investment trust under Article 8 of the Maryland Trust Law. ACPT was formed to succeed to most of Interstate General Company L.P.'s ("IGC" or "Predecessor") real estate operations.

On October 5, 1998 IGC transferred to ACPT the common shares of four subsidiaries that collectively comprised the majority of the principal real estate operations and assets of IGC. In exchange, ACPT issued to IGC 5,207,954 common shares of ACPT, all of which were distributed ("the Distribution") to the partners of IGC. IGC distributed to its partners the 5,207,954 shares of common stock of ACPT, resulting in the division of IGC's operations into two companies. The shares were distributed on a basis of one ACPT share for every two IGC Units and a proportionate share to IGC's general partners.

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ACPT is a self-managed holding company that is primarily engaged in the investment of rental properties, community development and management services. These operations are concentrated in the Washington, D.C. metropolitan area and Puerto Rico and are carried out through American Rental Properties Trust ("American Rental"), American Rental Management Company ("American Management"), American Land Development U.S., Inc. ("American Land") and IGP Group Corp. ("IGP Group") and their subsidiaries. ACPT is taxed as a partnership. American Rental, American Management and American Land are taxed as U.S. corporations and IGP Group's income is subject to Puerto Rico income taxes.

American Rental

American Rental holds partnership interests in 13 investment apartment properties ("U.S. Apartment Partnerships") indirectly through American Housing Properties L.P. ("American Housing"), a Delaware partnership, in which American Rental has a 99% limited partner interest and American Housing Management Company, a wholly owned subsidiary of American Rental, has a 1% general partner interest.

American Management

American Management performs the United States property management operations. The United States property management operations provide management services for the U.S. Apartment Partnerships and for other rental apartments not owned by ACPT.

American Land

American Land owns and operates the assets of ACPT's United States community development. These include the following:

1. A 100% interest in St. Charles Community LLC which holds approximately 4,300 acres of land in St. Charles, Maryland.
2. The Class B interest in IGP that represents IGP's rights to income, gains and losses associated with land in Puerto Rico held by Land Development Associates, S.E. ("LDA") and designated for development as saleable property.

IGP Group

IGP Group owns and operates the assets of ACPT's Puerto Rico division indirectly through a 99% limited partnership interest and 1% general partner interest in Interstate General Properties Limited Partnership S.E., a Maryland partnership ("IGP") excluding the Class B IGP interest transferred to American Land. IGP's assets and operations include:

1. a 100% partnership interest in LDA, a Puerto Rico special partnership, which holds 187 cuerdas of land in the planned community of Parque Escorial and 540 acres of land in Canovanas;
2. a 1% interest in El Monte Properties S.E., a Puerto Rico special partnership which owns the El Monte Mall Complex, a 169,000 square foot office complex in San Juan, Puerto Rico;
3. general partner interests in 9 Puerto Rico apartment partnerships; and
4. a limited partnership interest in ELI, S.E. ("ELI"), that shares 45.26% of the future cash flow generated from a 30 year lease to the State Insurance Fund of the Government of Puerto Rico.
5. a 100% ownership interest through LDA and IGP in Brisas de Parque Escorial, Inc. ("Brisas"), a Puerto Rico corporation which was organized to build 208 condominium units.

BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Consolidation and Presentation

The accompanying consolidated financial statements include the accounts of American Community Properties Trust and its majority owned subsidiaries and partnerships, after eliminating all intercompany transactions. All of the entities included in the consolidated financial statements are hereinafter referred to collectively as the "Company" or "ACPT". As of December 31, 2001 the consolidated group includes ACPT and its four major subsidiaries, American Rental Properties Trust, American Rental Management Company, American Land Development U.S., Inc. and IGP Group Corp. In addition, the consolidated group includes American Housing Management Company, American Housing Properties L.P., St. Charles Community, LLC, Interstate General Properties Limited Partnership, S.E., Land Development Associates S.E., LDA Group LLC, Brisas de Parque Escorial, Inc., Lancaster Apartments Limited Partnership, New Forest Apartments General Partnership, Fox Chase Apartments General Partnership, Palmer Apartments Associates Limited Partnership, Headen House Associates Limited Partnership, Wakefield Terrace Associates Limited Partnership and Wakefield Third Age Associates Limited Partnership. The Company's investments in its partnerships that it does not control are recorded using the equity method of accounting. However, the recognition of losses is limited to the amount of direct or implied financial support. The assets and liabilities contributed to ACPT were transferred at their cost basis because of affiliate ownership and common management.

The accompanying consolidated financial statements include all adjustments (consisting of normal recurring adjustments) which the Company's management considers necessary for a fair presentation of the results of operations.

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Significant Accounting Policies

A summary of the significant accounting policies is as follows:

Sales, Profit Recognition and Cost Capitalization

Community development land sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer, and ACPT has no significant continuing involvement.

The costs of acquiring and developing land are allocated to these assets and charged to cost of sales as the related inventories are sold. ACPT's interest costs related to land assets are allocated to these assets based on their development stage and relative book value. The portion of interest allocated to land during the development and construction period is capitalized. Remaining interest costs are expensed.

The Company has incurred additional development costs due to the soil conditions at two specific locations and the settlement with the general contractor regarding the Wal-Mart litigation. Based on these additional costs and the Company's plans to provide upscale dwelling units in Parque Escorial's next phase, management and the outside engineers updated the cost estimates for the remainder of the project, resulting in a \$1,368,000 increase in the 2001 cost of sales. ACPT carries rental properties, land and development costs at the lower of cost or net realizable value.

Quarterly, ACPT evaluates the carrying value of its long-lived assets in accordance with Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." In cases where management is holding for sale particular properties, ACPT assesses impairment based on whether the net realizable value (estimated sales price less costs of disposal) of each individual

property to be sold is less than the net book value. A property is considered to be held for sale when ACPT has made the decision to dispose of the property. Otherwise, ACPT assesses impairment of its real estate properties based on whether it is probable that undiscounted future cash flows from each individual property will be less than its net book value. If a property is impaired, its basis is adjusted to its fair market value.

Management Fees

ACPT records management fees in the period in which services are rendered.

Depreciation and Amortization

Buildings are depreciated over 35 to 40 years using the straight-line method. Furniture, fixtures and equipment are depreciated over five to seven years using the straight-line method. Deferred expenses are amortized over the period of estimated benefit using the straight-line method.

Investment in Unconsolidated Apartment Partnerships

ACPT's investment in apartment partnerships consists of long-term receivables, nominal capital contributions, working capital loans and ACPT's share of unconsolidated partnership income and losses. The working capital loans receive priority distributions from the cash flow generated from the operations of the partnerships. The long-term receivables represent loans to the partnerships for payment of construction and development costs in excess of the project mortgages. Substantially all of the long-term receivables are non-interest bearing and have been discounted at an effective rate of 14% based on the projected maturity date which will occur upon the refinancing, sale or other disposition of the partnerships' properties. The discount, which represents deferred sponsor and developer fees, is netted in the combined historical financial statements against the long-term receivables.

Certain partnerships are accumulating cash from operations in excess of the maximum distribution amounts permitted by U.S. Department of Housing and Urban Development ("HUD") and other regulatory authorities. This cash, accumulated in restricted cash accounts, will be available to pay the long-term receivables due to ACPT and to make cash distributions to ACPT and the limited partners when the partnerships' projects are refinanced or sold.

Pursuant to the partnership agreements, the general partners of the unconsolidated partnerships are prohibited from selling or refinancing the apartment complexes without majority limited partner approval. Due to the absence of control and non-majority ownership, these partnerships are accounted for under the equity method of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, unrestricted deposits with financial institutions and short-term investments with original maturities of three months or less.

Income Taxes

ACPT does not expect to be subject to U.S. income taxes under current law. ACPT's shareholders are expected to be taxed directly on their share of ACPT's income. American Land Development U.S., Inc. and American Rental Management Company are subject to federal and state tax at the applicable corporate rates. American Rental Properties Trust ("ARPT"), qualified as a real estate investment trust during 1998, but did not meet the ownership requirements in 1999. Therefore commencing in 1999, ARPT has been taxed as a U.S. C corporation and will not be allowed to reapply for REIT status until year 2004. Furthermore, IGP Group, Inc. is subject to Puerto Rico income tax on its Puerto Rico source income.

Earnings Per Share

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Share options issued pursuant to the Company's compensation plans and warrants issued to a lender are the only potentially dilutive securities in 2001, 2000 and 1999. The diluted weighted average shares outstanding for 2001, 2000 and 1999 were 5,204,000, 5,192,000 and 5,192,000, respectively. There is no dilutive effect on basic earnings per share. Potentially dilutive options and warrants are described in Note 9.

Comprehensive Income

ACPT has no items of comprehensive income that would require separate reporting in the accompanying consolidated statements of shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements, accompanying notes and disclosures. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Standards

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognizes all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure to a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. However, during the second quarter of 1999, the FASB deferred the effective date until January 1, 2001. Although currently ACPT has no derivative instruments, this statement would apply if derivative instruments were transacted by ACPT in future periods.

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for the Company on January 1, 2002). SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions. We do not expect the adoption of SFAS No. 144 to have a significant impact on our financial condition or results of operations.

(3) INVESTMENT IN UNCONSOLIDATED PARTNERSHIPS

Apartment Partnerships

The following information summarizes financial data and principal activities of unconsolidated apartment partnerships, which the Company accounts for under the equity method. The information is presented to segregate the two projects undergoing condominium conversion from the operating properties (in thousands).

| | | Projects | |
|--|------------|-------------|-------|
| | Operating | Under Condo | |
| | Properties | Conversion | Total |
| | | | |

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| | | | |
|-----------------------------|-----------|-------|-----------|
| Summary Financial Position: | | | |
| Total Assets | | | |
| December 31, 2001 | \$ 88,732 | \$ 79 | \$ 88,811 |
| December 31, 2000 | 90,971 | 2,025 | 92,996 |
| Total Non-Recourse Debt | | | |
| December 31, 2001 | 98,400 | - | 98,400 |
| December 31, 2000 | 101,465 | - | 101,465 |
| Total Other Liabilities | | | |
| December 31, 2001 | 10,841 | 29 | 10,870 |
| December 31, 2000 | 10,478 | 454 | 10,932 |
| Total Deficit | | | |
| December 31, 2001 | (20,508) | 50 | (20,458) |
| December 31, 2000 | (20,972) | 1,571 | (19,401) |
| Company's Investment | | | |
| December 31, 2001 | 8,350 | 102 | 8,452 |
| December 31, 2000 | 7,472 | 834 | 8,306 |

| | | | |
|---|------------|-------------|-----------|
| | | Projects | |
| | Operating | Under Condo | |
| | Properties | Conversion | Total |
| | | | |
| Summary of Operations: | | | |
| Total Revenue | | | |
| Year Ended December 31, 2001 | \$ 28,114 | \$ 788 | \$ 28,902 |
| Year Ended December 31, 2000 | 27,649 | 25,247 | 52,896 |
| Year Ended December 31, 1999 | 26,993 | 7,087 | 34,080 |
| Net Income | | | |
| Year Ended December 31, 2001 | 1,689 | 71 | 1,760 |
| Year Ended December 31, 2000 | 1,366 | 5,665 | 7,031 |
| Year Ended December 31, 1999 | 1,072 | 117 | 1,189 |
| Company's recognition of equity in earnings | | | |
| And developer fees | | | |
| Year Ended December 31, 2001 | 1,342 | 36 | 1,378 |
| Year Ended December 31, 2000 | 1,201 | 1,679 | 2,880 |
| Year Ended December 31, 1999 | 1,026 | - | 1,026 |
| | | | |
| | | | |

| | | | |
|---|----------|---------|----------|
| Summary of Cash Flows: | | | |
| Cash flows from operating activities | | | |
| Year Ended December 31, 2001 | \$ 5,907 | \$ 172 | \$ 6,079 |
| Year Ended December 31, 2000 | 5,001 | 21,420 | 26,421 |
| Year Ended December 31, 1999 | 6,702 | (3,486) | 3,216 |
| Company's share of cash flows from operating activities | | | |
| Year Ended December 31, 2001 | 2,312 | 86 | 2,398 |
| Year Ended December 31, 2000 | 1,782 | 10,710 | 12,492 |
| Year Ended December 31, 1999 | 2,383 | (1,743) | 640 |
| Operating cash distributions | | | |
| Year Ended December 31, 2001 | 1,244 | 1,593 | 2,837 |
| Year Ended December 31, 2000 | 1,018 | - | 1,018 |
| Year Ended December 31, 1999 | 4,110 | - | 4,110 |
| Company's share of operating cash distributions | | | |
| Year Ended December 31, 2001 | 501 | 796 | 1,297 |
| Year Ended December 31, 2000 | 468 | - | 468 |
| Year Ended December 31, 1999 | 2,076 | - | 2,076 |

The unconsolidated apartment partnerships as of December 31, 2001 include 15 partnerships owning 3,767 rental units in 18 apartment complexes. These complexes are owned by Alturas Del Senorial Associates Limited Partnership, Bannister Associates Limited Partnership, Bayamon Gardens Associates Limited Partnership, Brookside Gardens Limited Partnership, Carolina Associates Limited Partnership, Colinas de San Juan Associates Limited Partnership, Crossland Associates Limited Partnership, Essex Apartments Associates Limited Partnership, Huntington Associates Limited Partnership, Jardines de Caparra Associates Limited Partnership, Lakeside Apartments Limited Partnership, Monserrate Associates Limited Partnership, San Anton Associates Limited Partnership, Turabo Limited Dividend Partnership and Valle del Sol Limited Partnership. In addition, the Company holds an ownership interest in a partnership, New Center Associates Limited Partnership, whose rental complex was converted into condominiums, all of which have been sold. When all the affairs of this partnership are concluded, the partnership will be liquidated. The Company holds a general partner interest in these partnerships and generally shares in zero to 5% of profits, losses and cash flow from operations until such time as the limited partners have received cash distributions equal to their capital contributions. Thereafter, the Company generally shares in 50% of cash distributions from operations. Pursuant to the partnership agreements, the general partners of the unconsolidated partnerships are prohibited from selling or refinancing the apartment complexes without majority limited partner approval. Due to the absence of control and non-majority ownership, these partnerships are accounted for under the equity method of accounting.

Homebuilding Joint Venture

During 2000 Escorial Builders S.E. ("Escorial Builders") was liquidated. Prior to liquidation, the Company held a 50% joint venture interest in Escorial Builders which was formed in 1995 to purchase lots from the Company and construct homes for resale. The Company's share of the income and its investment are included with ACPT's assets related to homebuilding in the accompanying consolidated financial statements. The following tables summarize Escorial Builders' financial information (in thousands):

| | | | | | |
|------------------------|--|--|--|--|--|
| SUMMARY OF OPERATIONS: | | | | | |
|------------------------|--|--|--|--|--|

| | For the Year Ended | | | | |
|--|--------------------|--|---------|--|-----------|
| | 2001 | | 2000 | | 1999 |
| Total revenue | \$ - | | \$ 2 | | \$ 11,152 |
| Net (loss) income | - | | (72) | | 746 |
| Company's recognition of equity in (losses) | | | | | |
| earnings and warranty expense | - | | (100) | | 373 |
| | | | | | |
| | | | | | |
| SUMMARY OF OPERATING CASH FLOWS: | | | | | |
| | | | | | |
| | For the Year Ended | | | | |
| | 2001 | | 2000 | | 1999 |
| Cash flow from operating activities | \$ - | | \$ (18) | | \$ 8,586 |
| Company's share of cash flow from operating activities | - | | (9) | | 4,293 |
| Operating cash distributions | - | | 214 | | 2,750 |
| Company's share of operating cash distributions | - | | 107 | | 1,375 |

Unconsolidated Commercial Property Partnerships

In December 1998, the Company obtained a limited partner interest in ELI, S.E. ("ELI"), a partnership formed for the purpose of constructing a building to lease to the State Insurance Fund of the Government of Puerto Rico. ACPT contributed the land in exchange for \$700,000 and 27.82% ownership interest with a 45.26% interest in future cash flow generated by the thirty-year lease of the building. The building was completed and occupied during July 2000. The following tables summarize ELI's financial information (in thousands):

| | | | | | | |
|--------------------------------|--------------------|--|-----------|--|--|--|
| SUMMARY OF FINANCIAL POSITION: | | | | | | |
| | | | | | | |
| | As of December 31, | | | | | |
| | 2001 | | 2000 | | | |
| | | | | | | |
| Total assets | \$ 28,837 | | \$ 29,970 | | | |
| Total liabilities | 25,907 | | 26,729 | | | |
| Total equity | 2,930 | | 3,241 | | | |
| Company's investment | 5,021 | | 5,174 | | | |
| | | | | | | |
| | | | | | | |
| SUMMARY OF OPERATIONS: | | | | | | |

| | For the Year Ended | | | | | |
|--|--------------------|--|----------|--|------|-----|
| | 2001 | | 2000 | | 1999 | |
| Total revenue | \$ 3,746 | | \$ 1,901 | | \$ - | |
| Net income (loss) | 1,775 | | 1,003 | | (7) | |
| Company's recognition of equity in earnings (losses) | 806 | | 454 | | (3) | |
| | | | | | | |
| | | | | | | |
| SUMMARY OF OPERATING CASH FLOWS: | | | | | | |
| | | | | | | |
| | For the Year Ended | | | | | |
| | 2001 | | 2000 | | 1999 | |
| | | | | | | |
| Cash flow from operating activities | \$ 1,749 | | \$ 44 | | \$ - | |
| Company's share of cash flow from operating activities | 602 | | 20 | | - | |
| Operating cash distributions | 2,098 | | 1,275 | | 480 | |
| Company's share of operating cash distributions | 959 | | 577 | | 396 | (a) |

- The company received \$327,000 in cash and the balance was paid January 2000.

(4) DEBT

The Company's outstanding debt is collateralized primarily by land, land improvements, receivables, investment properties, investments in partnerships, and rental properties. The following table summarizes the indebtedness of the Company at December 31, 2001 and 2000 (in thousands):

| | Maturity | Interest | Outstanding As Of | | |
|-----------------------------------|-------------------|--------------|-------------------|--|-----------|
| | Dates | Rates (a) | December 31, | | |
| | From/To | From/To | 2001 | | 2000 |
| Related to community development: | | | | | |
| Recourse debt | 06-30-02/02-15-06 | Non-interest | \$ 37,327 | | \$ 45,855 |
| | | bearing/9.5% | | | |
| Related to homebuilding: | | | | | |
| Recourse debt | 08-31-03 | P | 6,194 | | - |

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| | | | | | |
|-----------------------------------|-------------------|------------|-----------|--|-----------|
| | | | | | |
| Related to investment properties: | | | | | |
| Recourse debt | 12-15-02 | 5.12% | 427 | | 602 |
| Non-recourse debt | 10-01-19/10-01-28 | 6.6%/7.75% | 37,102 | | 37,677 |
| | | | | | |
| General: | | | | | |
| Recourse debt | 05-01-02/ | 5.9%/ | 576 | | 270 |
| | 02-01-06 | 18.5% | | | |
| Total debt | | | \$ 81,626 | | \$ 84,404 |

• P = Prime lending interest rate.

Lender approval is required prior to LDA or Brisas: making any guarantee or loan out of the normal course of business; selling or disposing of substantially all of its assets outside the normal course of business; entering into any significant new line of business; making cash distributions in excess of distributions to pay income taxes on LDA or Brisas generated taxable income unless certain conditions exist that provide adequate working capital for debt service and operations for the following twelve months; making any change in ownership, amendments to partnership agreement or any merger reorganization or acquisition. As of December 31, 2001, the Company is in compliance with the provisions of its loan agreements.

As of December 31, 2001, the \$37,327,000 of recourse debt related to community development assets is fully collateralized by substantially all the community development assets. As of December 31, 2001, recourse investment properties debt is secured by distributions and proceeds from the remaining partnership that converted its apartments into condominiums. The non-recourse investment properties debt is collateralized by apartment projects and secured by the Federal Housing Administration ("FHA") or the Maryland Housing Fund. Mortgage notes payable of \$6,660,000 have stated interest rates of 7.5% and 7.75%; however, after deducting interest subsidies provided by HUD, the effective interest rate over the life of the loans is 1%.

On November 26, 2001, the Company refinanced the Red Mortgage Capital loan ("RMC") with an \$8,000,000 recourse loan subject to more favorable terms. As a result of this early extinguishment of debt, unamortized deferred finance fees and warrants related to the RMC loan of \$812,000 were charged off as an extraordinary item.

ACPT's weighted average interest rate during 2001 on its variable rate debt was 8.27%.

The stated maturities (assuming no accelerations) of ACPT's indebtedness at December 31, 2001 are as follows (in thousands):

| | | | |
|--|------------|--|-----------|
| | 2002 | | \$ 15,143 |
| | 2003 | | 18,477 |
| | 2004 | | 5,088 |
| | 2005 | | 1,861 |
| | 2006 | | 974 |
| | Thereafter | | 40,083 |
| | | | \$ 81,626 |

The interest costs incurred were accounted for as follows (in thousands):

| | | | December 31, | | | |
|--|-------------|--|--------------|--|----------|----------|
| | | | 2001 | | 2000 | 1999 |
| | | | | | | |
| | Expensed | | \$ 3,864 | | \$ 4,536 | \$ 4,183 |
| | Capitalized | | 2,434 | | 3,591 | 3,002 |
| | | | \$ 6,298 | | \$ 8,127 | \$ 7,185 |

(5) COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2001, ACPT is guarantor of \$7,063,000 of letters of credit and surety bonds for land development completion.

ACPT entered into a consulting and retirement compensation agreement with IGC's founder and Chief Executive Officer, James J. Wilson, effective October 5, 1998 (the "Consulting Agreement"). The Consulting Agreement provides for annual cash payments for the first two years of \$500,000 and annual cash payments for the eight years thereafter of \$200,000 through October 2008.

In January 1998, two apartment properties, owned by separate unconsolidated partnerships, were refinanced with loans that matured in 2000 concurrently with the housing assistance payment contracts. These refinancings lifted HUD's restriction on distributions allowing the partnerships to distribute accumulated reserve funds to its partners. Subsequently, the housing assistance payment contracts and the loans were extended for an additional five years. The Company guaranteed these loans up to 50% of the outstanding principal balance and accrued interest. The aggregate loan amount subject to the Company's guarantee at December 31, 2001 is \$7,767,000.

In 2000, the owners of a parcel of land located in Charles County sued the Company and one of its officers in the Circuit Court for Charles County, Maryland. The complaint claimed damages allegedly flowing from trespass and restrictions of access to property resulting from the construction of a county road in Charles County. The construction in question was completed by St. Charles Community, LLC by agreement with and permission from the County. The first and second counts of the complaint sought \$10,000,000 in compensatory damages and \$10,000,000 in punitive damages. The third and final count sought an easement and right of way to the county road. On April 13, 2001, the Circuit Court dismissed all individual corporate officers from the lawsuit and dismissed the second and third counts. The Circuit Court also ordered that the County Commissioners of Charles County be joined as defendants in the case. The plaintiffs responded by filing an amended complaint purporting to cure the defects prompting the dismissals and adding the County Commissioners as defendants. On October 12, 2001, the Circuit Court again dismissed the individual corporate officers and dismissed the second and third counts with prejudice. Accordingly, the only remaining claim against the Company is the trespass count. The case is scheduled to go to trial in December 2002.

The Company was named as a third-party defendant in a three count complaint alleging that the Company schemed with the County Commissioners, one employee of the County, the St. Charles Planning & Design Review Board ("PDRB"), and the managing agent for the PDRB to prevent him from obtaining signage for one of his lots and the development of a second lot. Each of the three counts seeks actual and compensatory damages in an amount to be proven at trial, plus punitive damages in the amount of \$3,000,000. A hearing has been scheduled for May 23, 2002. The Company believes the case has no merit and has not recorded any loss contingency related to this case. The Company will vigorously defend against these charges.

On November 17, 1997, Nissan Auto, Inc. filed a claim in the Superior Court of San Juan, Puerto Rico against the Company and eighteen other parties. The charges stem from the construction of an overpass. Nissan Auto alleges that the construction material and heavy equipment blocked the entrances to their business causing irreparable damage.

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Plaintiff is seeking \$2,000,000 in compensatory damages for lost business, additional damages not to be determined until the problem is cured and \$120,000 for other damages and costs. On February 11, 2000, IGP filed suit in the Superior Court of San Juan, Puerto Rico adding General Accident Insurance Company and Royal Insurance Company, IGP's insurance companies, as third party defendants to the suit. On May 24, 2000 General Accident Insurance Company indicated it would cover IGP in this case up to the limit of its policy of \$2,000,000 and, therefore, no loss contingency as been recorded.

Wal-Mart Puerto Rico, Inc. ("Wal-Mart") filed suit against the Company regarding a construction contract dispute. Wal-Mart appointed a construction manager responsible for the oversight of construction. Actual construction costs exceeded the contract amount. Both parties claim their maximum share of the total cost was limited and the other party is responsible for costs that exceeded the agreed upon amount. On August 30, 2001, LDA entered into a settlement agreement with the construction contractor (Rexach Construction Company, Inc.). The Company paid the contractor \$620,000 for cost overruns and agreed to pay an additional \$79,000 of repairs that are needed. In February 2002 LDA paid Wal-Mart \$233,000 in full settlement of this case; this amount is reflected in the December 31, 2001 financial statements.

On July 12, 2001 LDA filed an injunction action against Wal-Mart Puerto Rico, Inc. to stop it from constructing any additional commercial footage in the shopping center. The original contract between the parties called for a total of 600,000 square feet of commercial space; allotted to Wal-Mart. LDA contends that Wal-Mart has constructed 698,000 square feet of commercial space and continues construction. Wal-Mart issued a request for dismissal on September 28, 2001. On October 9, 2001 LDA filed an opposition to the request for dismissal. The case was settled on March 7, 2002. Pursuant to the terms of the settlement, Plaza Escorial Partners, S.E. ("PEPSE" and successor to Wal-Mart) agreed to pay \$1 per square foot for development in excess of 600,000 square feet and agreed to a series of restrictions on additional development. The document has been submitted to the District Court for its final approval.

In the normal course of business, ACPT is involved in various pending or unasserted claims. In the opinion of management, these will not have a material impact on the financial condition or future operations of ACPT.

(6) LEASES

ACPT operates certain property and equipment under leases, some with purchase options that expire at various dates through 2006. ACPT is also obligated under several non-cancelable operating leases for office space and equipment. Future minimum lease payments are as follows (in thousands):

| | | | Operating | | Capitalized |
|--|-----------------------------------|--|-----------|--|-------------|
| | | | Leases | | Leases |
| | 2002 | | \$ 168 | | \$ 194 |
| | 2003 | | 159 | | 184 |
| | 2004 | | 152 | | 161 |
| | 2005 | | 138 | | 23 |
| | 2006 | | 138 | | 8 |
| | Thereafter | | 92 | | - |
| | Total minimum lease payments | | \$ 847 | | \$ 570 |
| | Less amount representing interest | | | | 63 |

| | | | | | |
|--|---------------------------------|--|--|--|--------|
| | Present value of lease payments | | | | \$ 507 |
|--|---------------------------------|--|--|--|--------|

Rental expense under non-cancelable operating leases was \$329,000 in 2001, \$407,000 in 2000 and \$404,000 in 1999 and is included in general and administrative expenses in the accompanying consolidated statements of income.

(7) RELATED PARTY TRANSACTIONS

Certain officers and trustees of ACPT have ownership interests in various entities that conduct business with the Company. The financial impact of the related party transactions on the accompanying consolidated financial statements are reflected below (in thousands):

| CONSOLIDATED STATEMENT OF INCOME: | | Years Ended December 31, | | | | | |
|--|------|--------------------------|--|----------|--|----------|--|
| | | 2001 | | 2000 | | 1999 | |
| <u>Community Development - Land Sales</u> | | | | | | | |
| (A) | | | | | | | |
| Homebuilding joint venture with third party partner | | \$ - | | \$ - | | \$ 1,577 | |
| | | | | | | | |
| <u>Cost of Land Sales</u> | | | | | | | |
| Homebuilding joint venture with third party partner | | \$ - | | \$ - | | \$ 1,319 | |
| | | | | | | | |
| <u>Management and Other Fees</u> | | | | | | | |
| (B) | | | | | | | |
| Unconsolidated subsidiaries with third party partners | | \$ 2,033 | | \$ 2,534 | | \$ 2,018 | |
| Affiliates of James Michael Wilson, CEO and Trustee, and | | | | | | | |
| Thomas B. Wilson, Trustee | | 854 | | 767 | | 612 | |
| | | \$ 2,887 | | \$ 3,301 | | \$ 2,630 | |
| <u>Interest and Other Income</u> | | | | | | | |
| Unconsolidated subsidiaries with third party partners | | \$ 49 | | \$ 324 | | \$ 232 | |
| Affiliate of IGC former director | | - | | - | | 296 | |
| IGC | | 1 | | 1 | | - | |
| | | \$ 50 | | \$ 325 | | \$ 528 | |
| <u>General and Administrative Expense</u> | | | | | | | |
| Affiliates of James Michael Wilson, CEO and Trustee, and | | | | | | | |
| Thomas B. Wilson, Trustee | (C1) | \$ 382 | | \$ 373 | | \$ 310 | |
| Reserve additions and other write-offs- | | | | | | | |
| Unconsolidated subsidiaries with third party partners | (B) | 3 | | (38) | | 34 | |

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| | | | | |
|---|------|--------|--------|--------|
| Reimbursement to/from affiliate of Thomas B. Wilson, Trustee | | (11) | (76) | 134 |
| Reimbursement to IBC for ACPT's share of J. Michael Wilson's salary | | 90 | 90 | 90 |
| Reimbursement of administrative costs- | | | | |
| Affiliates of James Michael Wilson, CEO and Trustee, and | | | | |
| Thomas B. Wilson, Trustee | | (38) | (44) | (56) |
| IGC | (C4) | (26) | (151) | (154) |
| James J. Wilson, IGC director | (C3) | 200 | 425 | 500 |
| Thomas J. Shafer, Trustee | (C5) | 30 | 30 | 30 |
| | | \$ 630 | \$ 609 | \$ 888 |
| <u>Interest Expense</u> | | | | |
| Unconsolidated subsidiaries | | \$ - | \$ - | \$ 17 |
| KEMBT Corporation | (C2) | 89 | 231 | 254 |
| | | \$ 89 | \$ 231 | \$ 271 |

| | | | |
|--|------|--------------|--------------|
| BALANCE SHEET IMPACT: | | | |
| | | Balance | Balance |
| | | December 31, | December 31, |
| | | 2001 | 2000 |
| <u>Assets Related to Rental Properties</u> | | | |
| Receivables - All unsecured and due on demand | | | |
| Unconsolidated subsidiaries with third party partners | | \$ 866 | \$ 1,108 |
| Affiliates of James Michael Wilson, CEO and Trustee, and | | | |
| Thomas B. Wilson, Trustee | | 193 | 127 |
| | | \$ 1,059 | \$ 1,235 |
| <u>Other Assets</u> | | | |
| Receivables - All unsecured and due on demand | | | |
| Affiliate of Thomas B. Wilson, Trustee | (C4) | \$ 77 | \$ 142 |
| IGC | (C4) | 150 | 216 |
| Affiliate of James Michael Wilson, CEO and Trustee, and | | | |
| Thomas B. Wilson, Trustee | | 9 | - |
| | | \$ 236 | \$ 358 |

| | | | | |
|--|------|----------|--|----------|
| <u>Liabilities Related to Community Development</u> | | | | |
| Notes payable-KEMBT Corporation | (C2) | \$ 6,839 | | \$ 7,305 |
| | | | | |
| <u>Other Liabilities</u> | | | | |
| Affiliates of James Michael Wilson, CEO and Trustee, and | | | | |
| Thomas B. Wilson, Trustee | | \$ - | | \$ 92 |

(A) **Land Sales**

The Company sold land to a homebuilding joint venture. The joint venture was equally owned by the Company and a non-affiliated entity. The Company sells land to affiliates on no more favorable terms than it sells land to non-affiliates.

(B) **Management and Other Services**

The Company provides management and other support services to its unconsolidated subsidiaries and other related entities in the normal course of business. These fees are typically collected on a monthly basis, one month in arrears. These receivables are unsecured and due on demand. Certain partnerships experiencing cash shortfalls have not paid timely. These receivable balances are reserved until satisfied or the prospect of collectibility improves. The collectibility of management fee receivables is evaluated quarterly. Any increase or decrease in the reserves is reflected accordingly as additional expenses or recovery of such expenses

(C) **OTHER**

Other transactions with related parties are as follows:

- (1) The Company rents executive office space and other property from affiliates both in the United States and Puerto Rico pursuant to leases that expire through 2005. In management's opinion, all leases with affiliated persons are on terms generally available from unaffiliated persons for comparable property.
- (2) Pursuant to the terms of IGC's restructuring, IGC retained a note receivable due from LDA payable from LDA's cash flow. The note bore interest at a rate of prime plus 1.5% subject to a 6% floor and 9% ceiling with a maturity date of August 2, 2009. Effective June 6, 2001 the LDA Note was modified in two respects: (1) Up to 28% of net proceeds from LDA land sales would be used to make principal payments on the note, and (2) the note is non-interest bearing as of June 6, 2001. The Company's independent Trustees unanimously approved the modification. In July 2001 IGC assigned the note to KEMBT Corporation ("KEMBT"), wholly owned by Wilson Securities, and then pledged by KEMBT as collateral for a \$7,000,000 credit agreement from FirstBank Puerto Rico ("FirstBank").

In March 2002 the Company's senior management in the United States learned that in July 2001, an officer of the Company in Puerto Rico at the request of FirstBank signed a letter on the stationery of LDA purportedly agreeing that an event of default under the KEMBT credit agreement would constitute an event of default under the Loan agreement between LDA and FirstBank, giving the bank the right to foreclose on collateral securing the LDA loan agreement. The letter was not authorized by the Company's chairman or president, who had no knowledge of the

letter, nor was the undertaking approved by the independent trustees of the Company as required under the Company's Declaration of Trust. After discussions with the Company, FirstBank has agreed to rescind the cross-collateralization and cross-default retroactive to the date of the letter and the Company has agreed that (i) The LDA Note will be secured by the collateral under LDA's loan agreement with the bank, (ii) an event of default under the LDA Note will be a default under LDA's loan agreement with the bank, (iii) upon prepayment of all or part of LDA's obligations to the bank under the LDA loan agreement a proportionate amount of the outstanding balance of the LDA Note will be paid; (iv) the due date of the LDA Note will be June 30, 2003, or such later date as shall apply to LDA's other obligations to the bank under the LDA loan agreement, and (v) at the request of the bank, LDA will prepay to the bank the outstanding balance of the LDA Note, up to the outstanding balance of the KEMBT obligation, from the proceeds of an additional credit facility provided by the bank. In consideration of LDA's undertakings to the bank with regard to the LDA Note, entities controlled by the Wilson family have agreed: (i) to pay any and all interest on any new obligations incurred by the Company to the FirstBank in full or partial extinguishment of the related party obligation to the bank; (ii) reimburse the Company for all loan fees, legal costs and other expenses incurred by the Company in connection with this matter, and (iii) to pay an annual fee of one percent of the outstanding balance of any new obligations incurred by the Company to the bank in full or partial extinguishment of the related party obligation to the bank. The foregoing undertakings of the Wilson family are guaranteed by entities controlled by the Wilson family including James J. Wilson individually for which consulting payments to be made to him under a Consulting Agreement with the Company entered into in 1998 are to serve as security. In addition, upon payment of the outstanding balance of the KEMBT obligations to the bank, the Company will receive a discount of approximately \$430,000 on the LDA Note. In connection with this transaction, Thomas B. Wilson tendered his resignation as a trustee which was accepted by the Board of Trustees on April 9, 2002, and certain disciplinary action was taken with respect to two of the Company's officers in Puerto Rico.

In addition to the interest incurred on the LDA note that was expensed, interest costs of \$182,000, \$419,000 and \$414,000 were allocated to land development and capitalized in the years ended 2001, 2000, and 1999, respectively.

- (3) Fees paid to James J. Wilson pursuant to a consulting and retirement agreement. Effective October 5, 1998, the consulting agreement provides for annual cash payments for the first two years of \$500,000 and annual cash payments for eight years thereafter of \$200,000. At Mr. Wilson's request, these payments are made to IGC.
- (4) During the transition period after the Distribution, the Company provided land development, accounting, tax, human resources, payroll processing and other miscellaneous administrative support services to IGC. After the transition period, ACPT agreed to continue to provide human resources, payroll processing and tax services to IGC on a cost reimbursement basis. Currently the Company is providing

minimal support services to IGC. The receivables for these services and similar services provided in the past to Equus Gaming Company L.P. are guaranteed by IBC.

- (5) Fees paid to Thomas J. Shafer, a trustee, pursuant to a consulting agreement.

(8) PUERTO RICO EXPROPRIATION

During the third quarter of 1998, the Puerto Rico Highway Authority ("PRHA") expropriated 52 cuerdas located in Parque El Comandante to construct a highway and as compensation the government deposited \$783,000 into an account for the Company. The company disputed the condemnation price of \$15,000 per cuerda and filed an appeal seeking additional compensation to match the market value of the land. On June 26, 2001, the PRHA and the Company executed a settlement agreement increasing the condemnation award per cuerda to \$35,000 for a total of 54 cuerdas. The Company received \$1,245,000 in compensation plus interest on the additional condemnation award from the date of expropriation in 1998. This transaction resulted in a \$630,000 gain and the recognition of \$121,000 of interest in 2001. There were no similar transactions during 2000.

OPTIONS, APPRECIATION RIGHTS AND WARRANTS

(9)

ACPT adopted an employee share incentive plan (the "Share Incentive Plan") and a Trustees share incentive plan (the "Trustee Share Plan") to provide for share-based incentive compensation for officers, key employees and Trustees.

Under the Share Incentive Plan, the Compensation Committee of the Board of Trustees (the "Compensation Committee") may grant to key employees the following types of share-based incentive compensation awards ("Awards") (i) options to purchase a specified number of shares ("Options"), (ii) forfeitable shares that vest upon the occurrence of certain vesting criteria ("Restricted Shares"), or (iii) Share Appreciation Rights ("Rights") that entitle the holder to receive upon exercise an amount payable in cash, shares or other property (or any combination of the foregoing) equal to the difference between the market value of shares and a base price fixed on the date of grant. A total of 208,000 shares have been reserved for issuance under the Share Incentive Plan.

The Share Incentive Plan authorizes the Compensation Committee to determine the exercise price and manner of payment for Options and the base price for Rights. The Compensation Committee also is authorized to determine the duration and vesting criteria for Awards, including whether vesting will be accelerated upon a change in control of ACPT.

Rights of key employees under Awards are not transferable other than to immediate family members or by will or the laws of intestate succession.

The Trustee Share Plan authorizes the Board of Trustees, in its discretion, to grant to eligible Trustees awards of the same types and terms of Awards as provided under the Share Incentive Plan. Only Trustees who are not employees of ACPT or any affiliated company are eligible to receive Awards under the Trustee Share Plan. A total of 52,000 shares have been reserved for issuance under the Trustee Share Plan.

Certain employees held options and incentive rights granted by the Predecessor. Pursuant to the terms of the restructure, the exercise price of the options and the base price of the rights were allocated between the Predecessor and ACPT based on their average closing prices for twenty days after they began trading independently. As a result, in 1998 the Company granted options and incentive rights solely to separate the existing benefits into two parts. The

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awards were not adjusted in any other manner so as to provide additional compensation or reduce the employees' benefit. During 1999, the Company assumed the obligation from an affiliated company, Equus, of certain options and rights granted an executive officer, Carlos R. Rodriguez, while he was an employee of the Predecessor. Mr. Rodriguez transferred to an affiliated company in 1998 and then returned to the Company to head up the Puerto Rico operations in 1999. In April 2001, all rights outstanding, 53,250, were repriced to reflect a \$4 base price. An additional 140,000 rights were granted to employees. These rights bear a \$4 base price, become exercisable in equal increments over a five-year period and expire April 30, 2011.

Options

As of December 31, 2001, there were no options outstanding.

Share Appreciation Rights

As of December 31, 2001, the dates that the 218,250 outstanding share appreciation rights become exercisable and their expiration dates are as follows:

| | | | Rights Expiring | | | |
|--|------------------------|--|-----------------|--|------------|------------|
| | | | May 15, | | August 13, | August 13, |
| | Rights Exercisable at: | | 2004 | | 2007 | 2007 |
| | | | | | | |
| | December 31, 2001 | | 28,250 | | 20,000 | - |
| | April 30, 2002 | | - | | - | 33,000 |
| | August 13, 2002 | | - | | 5,000 | - |
| | April 30, 2003 | | - | | - | 33,000 |
| | April 30, 2004 | | - | | - | 33,000 |
| | April 30, 2005 | | - | | - | 33,000 |
| | April 30, 2006 | | - | | - | 33,000 |
| | | | 28,250 | | 25,000 | 165,000 |

During 2001, the Company recognized \$197,000 of compensation expense in connection with the outstanding rights. During 2000 and 1999, the market price remained lower than the base price and, therefore, no expense was recognized during either year.

Warrants

Pursuant to the terms of the restructure and the Banc One loan agreement, ACPT issued 112,500 warrants to Banc One to replace the 225,000 warrants issued by the Predecessor. These warrants have an exercise price of \$6.10 per warrant. An additional 37,500 warrants were issued in 2001, 2000 and 1999 bearing an exercise price of \$4.88, \$4.34 and \$5.03, respectively. The warrants were valued upon issuance using a Black Scholes model of valuation. These warrants have been recorded at their fair value of \$692,000. All warrants expire on November 26, 2005.

(10) RETIREMENT AND PROFIT SHARING PLANS

ACPT assumed all of IGC's obligations under the IGC Retirement Plan for the ACPT employees and in 1998 established its own retirement plan (the "Retirement Plan"). Employees are eligible to participate in the Retirement Plan when they have completed a minimum employment period of 1,000 hours. The Retirement Plan is a defined contribution plan which provided for contributions by ACPT for the accounts of eligible employees in amounts equal to 4% of base salaries and wages not in excess of the U.S. Social Security taxable wage base, and 8% of salaries (limited to \$170,000) that exceed that wage base. Effective January 1, 2002, these percents were increased to 5.7% and 11.4%, respectively. Eligible employees also may make voluntary contributions to their accounts and self direct the investment of their account balances in various investment funds offered under the plan. The Retirement Plan also contains a profit sharing provision that allows the Company to make cash awards to selected employees, a portion of which is contributed to the Retirement Plan. Contributions to the Retirement Plan were \$279,000, \$279,000 and \$271,000 in 2001, 2000 and 1999, respectively.

(11) INCOME TAXES

American Management and American Land are subject to federal and state income tax. Due to the loss of REIT status by American Rental on July 1, 1999, American Rental became subject to federal and state income tax effective January 1, 1999. As a U.S. Company holding an interest in an entity doing business in Puerto Rico, ACPT is subject to Puerto Rico income tax on its Puerto Rico based income. Therefore, the calculation below for the provision for income taxes includes income from American Management, American Land, American Rental and Puerto Rico source income. The following table reconciles the effective rate (in thousands, except amounts in %):

| | | December 31, | | | | | |
|------------------------------------|--|--------------|--------|----------|--------|----------|--------|
| | | 2001 | | 2000 | | 1999 | |
| | | | % of | | % of | | % of |
| | | Amount | Income | Amount | Income | Amount | Income |
| Taxes at statutory U.S. federal | | | | | | | |
| income tax rate | | \$ 1,732 | 35 | \$ 2,046 | 35 | \$ 1,757 | 35 |
| State income taxes, net of | | | | | | | |
| federal tax benefit | | 146 | 3 | 193 | 3 | 32 | 1 |
| Income only subject to | | | | | | | |
| foreign tax | | (53) | (1) | (182) | (3) | (288) | (6) |
| Tax effect of change in tax status | | | | - | - | (1,539) | (31) |
| Spin-off costs, permanent | | | | | | | |
| differences and other | | (322) | (7) | (159) | (3) | 56 | 1 |
| | | \$ 1,503 | 30 | \$ 1,898 | 32 | \$ 18 | - |

The provision for income taxes includes the following components (in thousands):

| | | Years Ended December 31, | | | |
|---------------|--|--------------------------|--|----------|---------|
| | | 2001 | | 2000 | 1999 |
| Current: | | | | | |
| United States | | \$ 641 | | \$ 100 | \$ 286 |
| Puerto Rico | | 519 | | 2,173 | 1,617 |
| | | 1,160 | | 2,273 | 1,903 |
| Deferred: | | | | | |
| United States | | 411 | | 272 | (1,713) |
| Puerto Rico | | (68) | | (647) | (172) |
| | | 343 | | (375) | (1,885) |
| | | \$ 1,503 | | \$ 1,898 | \$ 18 |

Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of this difference is reported as deferred income taxes. The components of deferred income taxes include the following:

| | | At December 31, | |
|--|--|-----------------|--------|
| | | 2001 | 2000 |
| | | (In thousands) | |
| Tax on amortization of deferred income related to long-term | | | |
| receivables from partnerships operating in Puerto Rico | | \$ 510 | \$ 582 |
| Receivables from partnerships operating in United States | | 619 | 466 |
| Tax on equity in earnings of partnerships operating in Puerto Rico | | 536 | 357 |
| Tax benefit on equity in earnings of partnerships operating in United States | | 1 | (154) |
| Tax on land development costs capitalized for book purposes but | | | |
| deducted currently for tax purposes | | 1,276 | 936 |
| Difference in Puerto Rico commercial venture | | 825 | 785 |
| Tax on interest income, payable when collected (net of foreign tax credit) | | 33 | 504 |
| Tax on collection of note receivable | | 579 | 548 |
| Difference in basis of U.S. partnership assets | | (735) | (747) |
| Net operating loss carryforwards | | - | (32) |
| Amortization of stock options | | (121) | (81) |
| Other | | (145) | (129) |

\$ 3,378

\$ 3,035

Deferred income taxes are determined in accordance with SFAS No. 109, "Accounting for Income Taxes," and such amounts as measured by tax laws.

(12) FAIR VALUE OF FINANCIAL INSTRUMENTS

The balance sheet carrying amounts of cash and cash equivalents, receivables and other current assets approximate fair value due to the short-term nature of these items. Fair value of long-term debt instruments was determined by discounting future cash flows using ACPT's current market rates. As of December 31, 2001, 2000 and 1999, the fair value of long-term debt instruments were \$79,557,000, \$82,391,000 and \$79,573,000, respectively.

(13) SEGMENT INFORMATION

ACPT has two reportable segments: U.S. operations and Puerto Rico operations. The U.S. operations include investments in rental properties, community development and management services. The Puerto Rico operations include investments in rental properties, investments in commercial properties, community development, management services and homebuilding through a joint venture.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The following presents the segment information for the years ended December 31, 2001, 2000 and 1999 (in thousands):

| | United | Puerto | Inter- | |
|--|-----------|-----------|----------|-----------|
| | States | Rico | Segment | Total |
| <u>2001:</u> | | | | |
| Total revenues | \$ 22,672 | \$ 12,469 | \$ (794) | \$ 34,347 |
| Interest income | 144 | 1,258 | (794) | 608 |
| Interest expense | 3,680 | 893 | (709) | 3,864 |
| Depreciation and amortization | 1,767 | 112 | - | 1,879 |
| Income tax provision-current | 790 | 519 | - | 1,309 |
| Income tax provision (benefit)-deferred | 411 | (68) | - | 343 |
| Income before income taxes, minority interest, and extraordinary item | 3,656 | 2,193 | (71) | 5,778 |
| Income before extraordinary item | 2,132 | 1,742 | (71) | 3,803 |
| Extraordinary item-early extinguishment of debt | | | | |
| (less applicable income taxes of \$149) | 663 | - | - | 663 |
| Net income | 1,469 | 1,742 | (71) | 3,140 |
| Total assets | 72,925 | 63,956 | (12,841) | 124,040 |
| Additions to long lived assets | 4,863 | 5,286 | - | 10,149 |
| | | | | |
| | | | | |

| | | | | |
|--|-----------|-----------|----------|-----------|
| <u>2000:</u> | | | | |
| Total revenues | \$ 15,639 | \$ 16,616 | \$ (784) | \$ 31,471 |
| Interest income | 78 | 1,573 | (784) | 867 |
| Interest expense | 4,052 | 1,232 | (749) | 4,535 |
| Depreciation and amortization | 1,917 | 144 | - | 2,061 |
| Income tax provision-current | 101 | 2,173 | - | 2,274 |
| Income tax provision (benefit)-deferred | 272 | (648) | - | (376) |
| Income before income taxes and minority interest | (250) | 6,080 | (24) | 5,806 |
| Net income | (848) | 4,554 | (24) | 3,682 |
| Total assets | 74,021 | 62,168 | (11,486) | 124,703 |
| Additions to long lived assets | 3,715 | 9,798 | - | 13,513 |
| | | | | |
| <u>1999:</u> | | | | |
| Total revenues | \$ 15,747 | \$ 17,020 | \$ (220) | \$ 32,547 |
| Interest income | 73 | 927 | (220) | 780 |
| Interest expense | 3,421 | 948 | (186) | 4,183 |
| Depreciation and amortization | 1,868 | 180 | - | 2,048 |
| Income tax provision-current | 286 | 1,617 | - | 1,903 |
| Income tax provision (benefit)-deferred | (1,713) | (172) | - | (1,885) |
| Income before income taxes and minority interest | 1,257 | 3,786 | (24) | 5,019 |
| Net income | 2,270 | 2,341 | (24) | 4,587 |
| Total assets | 74,053 | 53,527 | (6,172) | 121,408 |
| Additions to long lived assets | 3,535 | 7,117 | - | 10,652 |

(14) QUARTERLY SUMMARY (UNAUDITED)

ACPT's quarterly results are summarized as follows:

| | | Year Ended December 31, 2001 | | | | | | | | |
|-----------------------------|--|--|--|----------|--|-----------|--|----------|--|-----------|
| | | 1st | | 2nd | | 3rd | | 4th | | Total for |
| | | Quarter | | Quarter | | Quarter | | Quarter | | Year |
| | | (In thousands, except per share amounts) | | | | | | | | |
| | | | | | | | | | | |
| Revenues | | \$ 5,798 | | \$ 8,516 | | \$ 13,175 | | \$ 6,858 | | \$ 34,347 |
| Income before extraordinary | | | | | | | | | | |
| | | | | | | | | | | |

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| | | | | | | |
|--|-----|----------|----------|----------|-----------|-----------|
| item, taxes and minority interest | | 615 | 1,908 | 2,318 | 937 | 5,778 |
| Extraordinary item-early | | | | | | |
| extinguishment of debt (less | | | | | | |
| applicable income taxes of \$149) | | - | - | - | 663 | 663 |
| Net income (loss) | | 300 | 1,293 | 1,695 | (148) | 3,140 |
| Basic and fully diluted earnings | | | | | | |
| per share: | | | | | | |
| Net income (loss) | (a) | 0.06 | 0.25 | 0.33 | (0.03) | 0.60 |
| (a) Due to rounding, the sum of the quarters do not equal the earnings per share for the year. | | | | | | |
| Year Ended December 31, 2000 | | | | | | |
| | | 1st | 2nd | 3rd | 4th | Total for |
| | | Quarter | Quarter | Quarter | Quarter | Year |
| (In thousands, except per share amounts) | | | | | | |
| Revenues | | \$ 8,460 | \$ 5,189 | \$ 5,309 | \$ 12,513 | \$ 31,471 |
| Income before taxes and | | | | | | |
| minority interest | | 1,607 | 73 | 125 | 4,001 | 5,806 |
| Net income (loss) | | 927 | (459) | 104 | 3,110 | 3,682 |
| Basic and fully diluted earnings | | | | | | |
| per share: | | | | | | |
| Net income (loss) | | 0.18 | (0.09) | 0.02 | 0.60 | 0.71 |

(15) SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid and income taxes paid were as follows for the years ended December 31 (in thousands):

| | | | | |
|-------------------|--|----------|----------|----------|
| | | 2001 | 2000 | 1999 |
| Interest paid | | \$ 6,379 | \$ 8,003 | \$ 6,120 |
| Income taxes paid | | \$ 2,268 | \$ 2,177 | \$ 18 |

AMERICAN COMMUNITY PROPERTIES TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2001

(In thousands)

| Initial and Subsequent Costs and Encumbrances | | | | | Total Capitalized Costs and Accumulated | | | | |
|---|--------------|--------|-----------------------|------------------|---|-----------------------|----------|--------------------------|---|
| Description | Encumbrances | Land | Bldgs. & Improvements | Subsequent Costs | Land | Bldgs. & Improvements | Total | Accumulated Depreciation | |
| Bannister Apartments | \$ 3,292 | \$ 410 | \$ 4,180 | \$ 762 | \$ 410 | \$ 4,942 | \$ 5,352 | \$ 3,937 | |
| Garden Apartments | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | |
| Brookmont Apartments | 2,114 | 162 | 2,677 | 394 | 162 | 3,071 | 3,233 | 2,478 | |
| Garden Apartments | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | |
| Brookside Gardens Apartments | 1,365 | 156 | 2,487 | 29 | 156 | 2,516 | 2,672 | 653 | |
| Garden Shared Housing | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | |
| Crossland Apartments | 1,930 | 350 | 2,697 | (16) | 350 | 2,681 | 3,031 | 1,971 | |
| Garden Apartments | | | | | | | | | C |

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| | | | | | | | | | |
|---------------------------|--------|-------|--------|---------|-------|--------|--------|--------|---|
| St. Charles, MD | | | | | | | | | |
| Essex Village Apts. | 14,839 | 2,667 | 21,381 | (4,962) | 2,667 | 16,419 | 19,086 | 14,674 | |
| Garden Apartments | | | | | | | | | C |
| Richmond, VA | | | | | | | | | |
| Fox Chase Apartments | 6,247 | 745 | 7,014 | 240 | 745 | 7,254 | 7,999 | 2,692 | |
| Garden Apartments | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | |
| Headen Apartments | 4,621 | 205 | 4,765 | 1,238 | 205 | 6,003 | 6,208 | 4,497 | |
| Garden Apartments | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | |

AMERICAN COMMUNITY PROPERTIES TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2001

(In thousands)

| | Initial and Subsequent Costs and Encumbrances | | | | Total Capitalized Costs and Accumulated | | | | |
|--------------------------|---|------|--------------|------------|---|--------------|--------|--------------|---|
| | | | Bldgs. & | Subsequent | | Bldgs. & | | Accumulated | C |
| Description | Encumbrances | Land | Improvements | Costs | Land | Improvements | Total | Depreciation | o |
| Huntington Apartments | 7,306 | 350 | 8,513 | 1,730 | 350 | 10,243 | 10,593 | 5,696 | |

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| | | | | | | | | | | |
|-----------------------|--------|-------|--------|-----|-------|--------|--------|-------|--|---|
| Garden Apartments | | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | | |
| Lakeside Apartments | 2,096 | 440 | 3,649 | 103 | 440 | 3,752 | 4,192 | 516 | | |
| Garden Apartments | | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | | |
| Lancaster Apartments | 4,036 | 484 | 4,292 | 234 | 484 | 4,526 | 5,010 | 1,993 | | |
| Garden Apartments | | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | | |
| New Forest Apartments | 11,671 | 1,229 | 12,102 | 645 | 1,229 | 12,747 | 13,976 | 4,359 | | |
| Garden Apartments | | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | | |
| Palmer Apartments | 3,872 | 471 | 4,788 | 579 | 471 | 5,367 | 5,838 | 4,388 | | |
| Garden Apartments | | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | | |
| Terrace Apartments | 4,541 | 497 | 5,377 | 725 | 497 | 6,102 | 6,599 | 4,911 | | |
| Garden Apartments | | | | | | | | | | C |
| St. Charles, MD | | | | | | | | | | |

| | | | | | | | | | |
|----------------------|-------|-----|-------|-----|-----|-------|-------|-------|---|
| Alturas Del Senorial | 3,349 | 345 | 4,185 | 237 | 345 | 4,422 | 4,767 | 2,514 | |
| Highrise Apts. | | | | | | | | | C |
| Rio Piedras, PR | | | | | | | | | |

AMERICAN COMMUNITY PROPERTIES TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2001

(In thousands)

| | Initial and Subsequent Costs and Encumbrances | | | | Total Capitalized Costs and Accumulated | | | | |
|---------------------|---|-------|--------------|------------|---|--------------|--------|--------------|---|
| | | | Bldgs. & | Subsequent | | Bldgs. & | | Accumulated | |
| Description | Encumbrances | Land | Improvements | Costs | Land | Improvements | Total | Depreciation | o |
| Bayamon Gardens | 8,718 | 1,153 | 12,050 | 561 | 1,153 | 12,611 | 13,764 | 6,800 | |
| Garden Apts. | | | | | | | | | C |
| Bayamon, PR | | | | | | | | | |
| Colinas De San Juan | 7,743 | 900 | 10,742 | 719 | 900 | 11,461 | 12,361 | 6,131 | |
| Highrise Apts. | | | | | | | | | C |
| Carolina, PR | | | | | | | | | |
| De Diego | 5,820 | 601 | 6,718 | 363 | 601 | 7,081 | 7,682 | 3,929 | |
| Highrise Apts. | | | | | | | | | C |

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| | | | | | | | | | |
|------------------------|-------|-----|--------|-------|-----|--------|--------|-------|---|
| Rio Piedras, PR | | | | | | | | | |
| Jardines De Caparra | 4,417 | 546 | 5,719 | 1,239 | 546 | 6,958 | 7,504 | 3,890 | |
| Garden Apartments | | | | | | | | | C |
| Bayamon, PR | | | | | | | | | |
| Monserate I | 769 | 543 | 10,436 | 904 | 543 | 11,340 | 11,883 | 6,636 | |
| Highrise Apts. | | | | | | | | | C |
| Carolina, PR | | | | | | | | | |
| Monserate II | 9,985 | 731 | 11,172 | 783 | 731 | 11,955 | 12,686 | 6,692 | |
| Highrise Apts. | | | | | | | | | C |
| Carolina, PR | | | | | | | | | |
| San Anton | 2,495 | 313 | 3,525 | 916 | 313 | 4,441 | 4,754 | 2,926 | |
| Highrise Apts. | | | | | | | | | |
| Carolina, PR | | | | | | | | | |

AMERICAN COMMUNITY PROPERTIES TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2001

(In thousands)

| | | | | | | | | | |
|--|---|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
| | | | | | | | | | |
| | Initial and Subsequent Costs and Encumbrances | | | | | Total Capitalized Costs and Accumulated Depreciation | | | |
| | | | | | | | | | |

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| | | | Bldgs. & | Subsequent | | Bldgs. & | | Accumulated |
|---|--------------|-----------|--------------|------------|-----------|--------------|------------|--------------|
| Description | Encumbrances | Land | Improvements | Costs | Land | Improvements | Total | Depreciation |
| Santa Juana | 6,474 | 509 | 6,748 | 350 | 509 | 7,098 | 7,607 | 3,984 |
| Highrise Apts. | | | | | | | | |
| Caguas, PR | | | | | | | | |
| Torre De Las Cumbres | 5,085 | 466 | 5,954 | 399 | 466 | 6,353 | 6,819 | 3,568 |
| Highrise Apts. | | | | | | | | |
| Rio Piedras, PR | | | | | | | | |
| Valle Del Sol | 10,524 | 992 | 14,017 | 645 | 992 | 14,662 | 15,654 | 7,103 |
| Highrise Apts. | | | | | | | | |
| Bayamon, PR | | | | | | | | |
| Vistas Del Turabo | 1,562 | 354 | 2,508 | 576 | 354 | 3,084 | 3,438 | 1,485 |
| Highrise Apts. | | | | | | | | |
| Caguas, PR | | | | | | | | |
| Total Properties | \$ 134,871 | \$ 15,619 | \$ 177,696 | \$ 9,393 | \$ 15,619 | \$ 187,089 | \$ 202,708 | \$ 108,423 |
| NOTE TO TOTAL CAPITALIZED COSTS: | | | | | | | | |
| THE AGGREGATE COST FOR FEDERAL INCOME TAX PURPOSES FOR U.S. AND P.R. PROPERTIES IS: | | | | | | | \$164,767 | |

AMERICAN COMMUNITY PROPERTIES TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2001 AND 2000

(In thousands)

| | | |
|---|--|------------|
| | | |
| | | |
| | | |
| | | |
| Real Estate at December 31, 1999 | | \$ 201,171 |
| Additions for 2000: | | |
| Improvements | | 2,211 |
| Deductions for 2000: | | |
| Dispositions | | 1,535 |
| Real Estate at December 31, 2000 | | 201,847 |
| Additions for 2001: | | |
| Improvements | | 2,463 |
| Deductions for 2001: | | |
| Dispositions | | 1,602 |
| Real Estate at December 31, 2001 | | \$ 202,708 |
| | | |
| Accumulated depreciation at December 31, 1999 | | \$ 100,569 |
| Additions for 2000: | | |
| Depreciation expense | | 5,620 |
| Deductions for 2000: | | |
| Dispositions | | 1,535 |
| Accumulated depreciation at December 31, 2000 | | 104,654 |
| Additions for 2001: | | |
| Depreciation expense | | 5,312 |
| Deductions for 2001: | | |
| Dispositions | | 1,543 |
| Accumulated depreciation at December 31, 2001 | | \$ 108,423 |

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

None.

PART III

Certain information required by Part III is omitted from the Report. The Registrant will file a definitive proxy statement with the Securities and Exchange Commission (the "Commission") pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Report, and certain information to be included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Performance Graph included in the Proxy Statement.

ITEM 10. TRUSTEES AND EXECUTIVE OFFICERS

The information required by this Item with respect to executive officers of the Company is set forth in Item 4A. The information required by this Item with respect to trustees is incorporated by reference to the Company's Proxy Statement to be filed with the Commission for its annual shareholders' meeting to be held in June 2002.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement to be filed with the Commission for its annual shareholders' meeting to be held in June 2002.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement to be filed with the Commission for its annual shareholders' meeting to be held in June 2002.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's Proxy Statement to be filed with the Commission for its annual shareholders' meeting to be held in June 2002.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM
8-K

(a)I. Financial Statements

The following financial statements of American Community Properties Trust are contained herein:

Report of Independent Public Accountants

Consolidated Statements of Income for the years ended
December 31, 2001, 2000 and 1999

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Changes in Partners' Capital for the
years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended
December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements for the years ended
December 31, 2001, 2000 and 1999

J. Financial Statement Schedules

The following financial statement schedules are contained herein:

Report of Independent Public Accountants

Schedule III -- Real Estate and Accumulated Depreciation

K. Exhibits

Exhibits required by Securities and Exchange Commission Section 601 of Regulation S-K.

| Exhibit No. | Description of Exhibit | Reference |
|-------------|---|---|
| 2 | Form of Restructuring Agreement dated as of August 21, 1998 between the Company and Interstate General Company L.P. ("IGC") | Exhibit 2 to Registration Statement on Form S-11 No. 333-58835 of the Company ("Form S-11") |
| 3.1 | Form of Restated Declaration of Trust of the Company | Exhibit 3.1 to Form S-11 |
| 3.2 | Bylaws of the Company | Exhibit 3.2 to Form S-11 |
| 4.1 | Form of Common Share Certificate | Exhibit 4.1 to Form S-11 |
| 10.1 | Employment Agreement, dated August 25, 1998, between the Company and Edwin L. Kelly | Exhibit 10.1 to Form S-11 |

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| | | |
|-------|---|--|
| 10.2 | Employment Agreement, dated August 25, 1998, between the Company and Francisco Arrivi Cros | Exhibit 10.2 to Form S-11 |
| 10.3 | Employment Agreement, dated August 25, 1998, between the Company and Paul A. Resnik | Exhibit 10.3 to Form S-11 |
| 10.4 | Form of Consulting Agreement, dated August 24, 1998, between the Company and James J. Wilson | Exhibit 10.4 to Form S-11 |
| 10.5 | Employees' Share Incentive Plan | Exhibit 10.5 to Form S-11 |
| 10.6 | Trustee's Share Incentive Plan | Exhibit 10.6 to Form S-11 |
| 10.7 | Housing Management Agreement, dated May 12, 1994, between IGC and Capital Park Associates | Exhibit 10.7 to Form S-11 |
| 10.8 | Housing Management Agreement, dated January 1, 1987, between IGC and Chastleton Apartments Associates | Exhibit 10.8 to Form S-11 |
| 10.9 | Housing Management Agreement, dated September 30, 1983, between IGC and G.L. Limited Partnership | Exhibit 10.9 to Form S-11 |
| 10.10 | Master Loan Agreement dated as of August 1, 1997 by and among Interstate General Company L.P. and American Community Properties Trust, St. Charles Community, LLC and Banc One Capital Partners IV, Ltd. | Exhibit 10.10 to Form 10-Q for the quarter ended June 30, 1998 |
| 10.11 | First Amendment to Master Loan Agreement between Interstate General Company L.P., American Community Properties Trust, St. Charles Community, LLC and Banc One Capital Partners, IV, Ltd dated September 30, 1997 | Exhibit 10.11 to Form 10-Q for the quarter ended June 30, 1998 |
| 10.12 | First Modification to Credit Facility and Second Amendment to Master Loan Agreement between Banc One Capital Partners IV, Ltd., Interstate General Company L.P., American Community Properties Trust, St. Charles Community, LLC, James J. Wilson, J. Michael Wilson, Edwin L. Kelly, American Rental Properties Trust, American Rental Management Company, American Land Development U.S., Inc., IGP Group Corp., and American Housing Properties L.P. dated October 1, 1998 | Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 1998 |
| 10.13 | Seventh Amendment to Second Amended and Restated Certificate and Agreement of Limited Partnership of Interstate General Properties Limited Partnership S.E. dated October 1, 1998 | Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 1998 |

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| | | |
|-------|--|---|
| 10.14 | Consulting Agreement between St. Charles Community, LLC and Thomas J. Shafer dated January 1, 1998 | Exhibit 10.14 to 1998 Form 10-K |
| 10.15 | Amendment to Consulting Agreement between St. Charles Community, LLC and Thomas J. Shafer dated January 28, 2002 | Filed herewith |
| 10.16 | Indemnification Agreement between American Community Properties Trust and T. Michael Scott dated March 27, 2001 | Exhibit 10.15 to 2000 Form 10-K |
| 10.17 | Indemnification Agreement between American Community Properties Trust and Thomas J. Shafer dated March 27, 2001 | Exhibit 10.16 to 2000 Form 10-K |
| 10.18 | Indemnification Agreement between American Community Properties Trust and Antonio Ginorio dated March 27, 2001 | Exhibit 10.17 to 2000 Form 10-K |
| 10.19 | Non-Interest Bearing Cash Flow Note as of June 6, 2001 between Land Development Associates, S.E. and Interstate General Company L.P. | Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2001 |
| 10.20 | Letter Agreement between Land Development Associates, S.E. and FirstBank dated July 13, 2001 | Filed herewith |
| 10.21 | Letter Agreement between Land Development Associates, S.E. and FirstBank dated April 15, 2002 | Filed herewith |
| 10.22 | Letter Agreement between Land Development Associates, S.E. and FirstBank dated April 15, 2002 | Filed herewith |
| 10.23 | Guarantee Agreement between Interstate Business Corporation and American Community Properties Trust dated March 25, 2002 (re: Equus) | Filed herewith |
| 10.24 | Guarantee Agreement between Interstate Business Corporation and American Community Properties Trust dated March 25, 2002 (re: IGC) | Filed herewith |
| 21 | List of Subsidiaries of American Community Properties Trust | Filed herewith |
| 99 | Letter to the Commission regarding Andersen | Filed herewith |
| (b) | Reports on Form 8-K Form 8-K dated April 2, 2002 | |

- (c) Exhibits
See (a) 2, above.
- (d) Financial Statement Schedules
See (a) 2, above.

SIGNATURES

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

AMERICAN COMMUNITY PROPERTIES TRUST

(Registrant)

Dated: April 15, 2002

By: /s/ J. Michael Wilson

J. Michael Wilson
Chairman and Chief Executive Officer

Dated: April 15, 2002

By: /s/ Cynthia L. Hedrick

Cynthia L. Hedrick
Vice President and Controller

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

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|-----------------------------|---|----------------|
| <u>/s/ J Michael Wilson</u> | Chairman, Chief Executive Officer and Trustee | April 15, 2002 |
| J. Michael Wilson | | |

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| | | |
|---------------------------|--|----------------|
| <u>/s/ Edwin L. Kelly</u> | President, Chief Operating Officer and Trustee | April 15, 2002 |
|---------------------------|--|----------------|

Edwin L. Kelly

| | | |
|-----------------------------|---------|----------------|
| <u>/s/ Thomas J. Shafer</u> | Trustee | April 15, 2002 |
|-----------------------------|---------|----------------|

Thomas J. Shafer

| | | |
|-----------------------------|---------|----------------|
| <u>/s/ T. Michael Scott</u> | Trustee | April 15, 2002 |
|-----------------------------|---------|----------------|

T. Michael Scott

| | | |
|----------------------------|---------|----------------|
| <u>/s/ Antonio Ginorio</u> | Trustee | April 15, 2002 |
|----------------------------|---------|----------------|

Antonio Ginorio