

AMERICAN COMMUNITY PROPERTIES TRUST

Form DEF 14A

May 15, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

American Community Properties Trust

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(Name of Registrant as Specified In Its Charter)

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AMERICAN COMMUNITY PROPERTIES TRUST  
222 SMALLWOOD VILLAGE CENTER  
ST. CHARLES, MD 20602

May 15, 2008

Dear Shareholders:

On behalf of the officers and trustees of American Community Properties Trust (the "Company"), you are cordially invited to attend the Company's Annual Meeting of Shareholders to be held at 10:00 a.m. EDT, on Wednesday, June 4, 2008, at the Holiday Inn, James Craik Room, 45 St. Patrick's Drive, St. Charles, Maryland.

At the meeting, shareholders of the Company will be asked to consider and act upon the election of five trustees; three trustees to serve until 2011, one trustee to serve until 2010 and one trustee to serve until 2009 as described in the accompanying Notice of Meeting and Proxy Statement.

The trustees of the Company recommend that all shareholders of the Company vote in favor of the proposal presented. Your vote is important regardless of the number of shares you own. We strongly encourage all shareholders of the Company to participate by voting their shares by proxy whether or not they plan to attend the meeting. Please sign, date and mail the enclosed proxy as soon as possible. If you do attend the meeting, you may still vote in person.

Sincerely,  
/s/ J. Michael  
Wilson  
J. Michael Wilson  
Chairman and  
Chief Executive  
Officer

AMERICAN COMMUNITY PROPERTIES TRUST  
222 SMALLWOOD VILLAGE CENTER  
ST. CHARLES, MD 20602

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JUNE 4, 2008

TO THE SHAREHOLDERS OF AMERICAN COMMUNITY PROPERTIES TRUST:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of American Community Properties Trust (the "Company") will be held on Wednesday, June 4, 2008, at 10:00 a.m. EDT at the Holiday Inn, James Craik Room, 45 St. Patrick's Drive, St. Charles, Maryland, for the following purposes:

- (1) To elect five trustees of the Company; three to serve until the Annual Meeting of Shareholders in 2011, one to serve until the Annual Meeting of Shareholders in 2010, and one to serve until the Annual Meeting of Shareholders in 2009; and
- (2) To transact such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

The Board of Trustees has fixed the close of business on April 4, 2008 as the record date for the determination of the shareholders entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting.

Shareholders are invited to attend the meeting. Whether or not you expect to attend, we urge you to sign, date and promptly return the enclosed proxy card in the enclosed postage prepaid envelope. If you attend the meeting, you may vote your shares in person, which will revoke any previously executed proxy.

If your shares are held of record by a broker, bank or other nominee and you wish to attend the meeting, you must obtain a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares and bring it to the meeting. In order to vote your shares at the meeting, you must obtain from the record holder a proxy issued in your name.

By Order of the  
Board of Trustees  
/s/ Cynthia L.  
Hedrick  
Cynthia L.  
Hedrick  
Secretary

St. Charles, Maryland  
May 15, 2008



AMERICAN COMMUNITY PROPERTIES TRUST  
222 SMALLWOOD VILLAGE CENTER  
ST. CHARLES, MD 20602

PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS  
To Be Held June 4, 2008

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Trustees of American Community Properties Trust, a Maryland real estate investment trust (the "Company" or "ACPT"), for the 2008 Annual Meeting of Shareholders of the Company (the "2008 Annual Meeting") to be held at the Holiday Inn, James Craik Room, 45 St. Patrick's Drive, St. Charles, Maryland on Wednesday, June 4, 2008 at 10:00 a.m. EDT. The Notice of the 2008 Annual Meeting, this proxy statement and the accompanying proxy card are first being mailed on or about May 15, 2008 to holders of record of the Company's common shares ("Common Shares") as of the close of business on April 4, 2008. You can ensure that your shares are voted at the meeting by signing, dating and promptly returning the enclosed proxy card in the envelope provided. Each share entitles the registered holder to one vote. As of April 4, 2008, there were 5,229,954 Common Shares outstanding and entitled to vote at the 2008 Annual Meeting. Sending in a signed proxy will not affect your right to attend the meeting and vote in person. You may revoke your proxy at any time before it is counted by notifying the Secretary of the Company in writing, or by executing a subsequent proxy, which revokes your previously executed proxy. Additionally, if you attend the meeting, you may vote your shares in person, which will revoke any previously executed proxy.

At the 2008 Annual Meeting, shareholders will have the opportunity to elect five trustees; three trustees to serve until the Annual Meeting in 2011, one trustee to serve until the Annual Meeting in 2010 and one trustee to serve until the Annual Meeting in 2009. Shareholders will also have the opportunity to transact such other business as may properly come before the meeting.

The Company's principal executive offices are located at 222 Smallwood Village Center, St. Charles, Maryland, 20602.

#### VOTING OF PROXIES

Proxies will be voted as specified by the shareholders. Where specific choices are not indicated, proxies will be voted FOR the election of all nominees for trustee. The presence in person or by proxy of shareholders entitled to cast a majority of all votes entitled to be cast at the 2008 Annual Meeting constitutes a quorum. A properly executed proxy marked to withhold authority with respect to the election of a trustee nominee will not be voted with respect to such nominee, although it will be counted for purposes of determining whether there is a quorum. Accordingly, "withhold authority" votes will have the effect of a vote against the election of the nominee. The election of trustees requires the affirmative vote of a majority of the Common Shares outstanding and entitled to vote at the 2008 Annual Meeting. Because none of the nominees currently serves as a trustee, if any of them fails to win a majority, that nominee will not be elected. Votes submitted by mail must be received on or before June 3, 2008.

#### ELECTION OF TRUSTEES

At the 2008 Annual Meeting, the shareholders will be voting for five trustees; three trustees to serve until the Annual Meeting in 2011, one trustee to serve until the Annual Meeting in 2010 and one trustee to serve until the Annual Meeting in 2009. The three nominees for election until the 2011 Annual Meeting are Donald J. Halldin, Eric P. Von der Porten and Ross B. Levin. The nominee for election until the 2010 Annual Meeting is Michael E. Williamson and the nominee for election until the 2009 Annual Meeting is Thomas E. Green. Information regarding the Board's nominees and the incumbent trustees whose terms expire in 2009 and 2010 is set forth below.

Pursuant to the Company's Bylaws, the Board of Trustees consists of not less than three nor more than nine trustees. In connection with its proposal of the nominees to be considered at the 2008 Annual Meeting, the Board has adopted a resolution that will increase the number of seats on the Board from six to seven, if three nominees receive the requisite vote; eight, if four nominees receive the requisite vote; or nine, if all of the nominees receive the requisite vote. The Board of Trustees is divided into three classes, as nearly equal in number as possible with each class serving staggered three-year terms.

The accompanying proxy, if signed and returned, will be voted for election of the Board's nominees unless contrary instructions are given.

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#### Recommendation of the Board of Trustees

As previously disclosed, the family of J. Michael Wilson, the Company's Chairman and CEO, which holds a majority of the outstanding Common Shares, explored during 2007 and 2008 a possible purchase of the remaining outstanding Common Shares of the Company not owned by them in a "going private" transaction. Despite the Wilson family's consultant and financial advisor approaching approximately 80 potential investors to provide financing for such a transaction, no proposals materialized. In addition the Wilson family and its advisors also approached companies with a view to a strategic transaction involving the acquisition of all of the Common Shares of the Company, including the Common Shares of the Wilson family. Despite these efforts, no satisfactory indications of interest in an acquisition were received, and the Wilson family subsequently considered other strategic alternatives for the Company, including a possible restructuring involving the separation of the Company's land development assets from its rental properties. In order to facilitate that restructuring, the Wilson family offered to purchase the land development assets from the Company in exchange for a portion of their existing Common Shares. The Wilson family's offer subsequently was withdrawn on April 15, 2008.

In connection with these efforts by the Wilson family, the Company's Board of Trustees had formed a special committee comprised of each of its non-employee trustees. Following the withdrawal of the Wilson family's offer, and in light of the frequency, extent and nature of discussions between Mr. Wilson and the special committee and their respective advisors concerning these strategic alternatives and related governance matters in which the interests of the special committee and the Wilson family diverged, the members of the special committee, all of whom also served on the Company's Nominating and Corporate Governance Committee, encouraged Mr. Wilson and his family, as majority shareholders, to recommend nominees to replace the two incumbent members of the Board whose terms were set to expire at the 2008 Annual Meeting.

Mr. Wilson and his family recommended Messrs. Halldin, Green and Williamson as potential nominees. Mr. Levin was recommended by Paul Isaac, the Company's second largest shareholder; Mr. Levin serves as an investment advisor to Mr. Isaac. Mr. Von der Porten was identified by the members of the Nominating and Corporate Governance Committee as a potential nominee. The members of the Board considered the qualifications of all of the potential nominees and resolved that all five persons be nominated for election at the 2008 Meeting.

**THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR THE ELECTION OF MR. HALLDIN, MR. VON DER PORTEN, MR. LEVIN, MR. WILLIAMSON AND MR. GREEN AS TRUSTEES.**

#### Nominees for Election to the Board of Trustees for a Three-Year Term to Expire at the 2011 Annual Meeting of Shareholders

Donald J. Halldin, 49, is the co-founder of Meridian Capital Partners, a New York-based investment firm, and has served as its Vice Chairman since January 2007 and President from July 1994 to January 2007. Mr. Halldin is also co-founder and Vice Chairman of Sage Administrators LLC, CWS Securities LLC, Meridian Diversified Fund Management LLC, Meridian Equipment Corp. Inc and Meridian Fund Management LLC. Mr. Halldin has also been a member of The Managed Fund YogaPulse Wellness LLC since 2007 and is also a member of The Managed Fund Association.

Eric P. Von der Porten, 50. Since February 1997, Mr. Von der Porten has been the managing member of Leeward Investments, LLC, an investment management firm in San Carlos, California. He has more than 20 years of experience in financial services and investing, with much of that experience focused on small capitalization stocks and real estate investments. He has served as a director of Dynex Capital, Inc. since May 2002. He earned an A.B. from the University of Chicago and an M.B.A. from the Stanford Graduate School of Business.

Ross B. Levin, 24, is the sole analyst for Arbiter Partners LP, a \$400 million investment partnership managed by Paul J. Isaac. Mr. Levin has served Arbiter Partners LP since June 2005. Mr. Levin was an Equity Analyst for Burkenroad Reports from August 2004 through April 2005 where he worked on a team responsible for publishing an investment research report for a publicly traded sporting goods retailer. Prior to that, Mr. Levin was an Agent for Hogan Group,

Inc. from May 2004 to March 2005 where he conducted land acquisition prospecting and research for regional and national builders.

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Nominee for Election to the Board of Trustees for a Two-Year Term to Expire at the 2010 Annual Meeting of Shareholders

Michael E. Williamson, 40, is the President and Chief Operating Officer of Tropical, Inc. Canada/USA ("Tropical"), a position he has held since January 1993. Tropical is a snack food manufacturing and distribution company.

Nominee for Election to the Board of Trustees for a One-Year Term to Expire at the 2009 Annual Meeting of Shareholders

Thomas E. Green, 46, is the founder and has served since April 2008 as Principal and CEO of Providence One Partners. Prior to forming Providence One Partners, Mr. Green was the Florida Market Officer of Colonial Properties Trust, a NYSE-listed real estate investment trust, from September 1999 to April 2008. Mr. Green is a member of the National Association of Industrial and Office Properties' National Mixed-Use Forum. Mr. Green has served on the Executive Committee of both the Economic Development Commission of Mid-Florida and the Seminole Community College Foundation since 2005. He has served on the Board of Directors of the Young President's Organization Orlando Chapter since 2006 and the Chairman of the Seminole County Regional Chamber of Commerce from July 2004 to June 2005.

Members of the Board of Trustees Continuing in Office with a Term to Expire at the 2009 Annual Meeting of Shareholders

Antonio Ginorio, 65. Mr. Ginorio has been a trustee of the Company since January 2001. Prior to his retirement in 2000, he was a Senior Audit Partner in the San Juan Office of PricewaterhouseCoopers, a globally-recognized public accounting firm, for 36 years. He has extensive audit experience in banking, manufacturing, retail and real estate.

Edwin L. Kelly, 66. Mr. Kelly has been a trustee of the Company since March 1997 and currently serves as Vice Chairman, President and Chief Operating Officer of the Company. Mr. Kelly has served as President and Chief Operating Officer since July 1998. Mr. Kelly was President and Chief Operating Officer of IGC and IGMC from 1997 to 1998. Prior to that, he served as Senior Vice President and Treasurer of IGC and Senior Vice President of IGMC since their formation in 1986. He has served in various executive positions with IGC and its predecessor companies since 1974, including as a Director of IGMC from 1986 to 1998.

Members of the Board of Trustees Continuing in Office with a Term to Expire at the 2010 Annual Meeting of Shareholders

J. Michael Wilson, 42. Mr. Wilson has been a trustee of the Company since March 1997 and has served as Chairman and Chief Executive Officer of the Company since July 1998. Mr. Wilson was a Director of Interstate General Management Corporation ("IGMC"), the managing general partner of Interstate General Company L.P. ("IGC"), the predecessor to the Company, from 1996 to 1998 and from January 1997 to November 1998 was Vice Chairman, Secretary, and Chief Financial Officer of IGC. He has been President and Chief Operating Officer of Interstate Business Corporation ("IBC"), a general partner of IGC, since 1994 and a Director of IBC since 1991. He served as Vice President of IBC from 1991 to 1994. He has been a director of Wilson Securities Corporation since 1991, and President since March 1996. He was Vice President of Wilson Securities Corporation from 1991 to 1996. He has been Vice President of Interstate Waste Technologies, a subsidiary of IGC, since 1994 and in July 2006 was appointed to their Board of Directors.

Thomas J. Shafer, 78. Mr. Shafer has been a trustee of the Company since August 1998. He is a registered professional engineer specializing in real estate evaluation and land development. Prior to his retirement in 1997, he was a partner in Whitman, Requardt and Associates, LLP ("Whitman Requardt"), an engineering and architectural firm from 1976 through 1997 and its managing partner from 1989 through 1997. He was a director of IGMC from January 1998 to June 2000. He is a member of the Urban Land Institute, the American Society of Professional Engineers and numerous other technical organizations. Whitman Requardt has provided engineering services to the Company for over thirty years.



## BOARD AND COMMITTEE MATTERS

### Requirements of Board Members

Pursuant to the Company's Declaration of Trust not fewer than two of the members of the Board of Trustees must be persons who are not employed by (i) the Company, (ii) any Affiliate of the Company, or (iii) a member of the family of James J. Wilson, the President and Chief Executive Officer of IGC and the father of J. Michael Wilson.

During the fiscal year 2007, the Board of Trustees held six regular meetings and two special meetings. All trustees attended at least 75% of the total meetings of the Board of Trustees and committees of the Board on which they served. In accordance with Company policy, all members of our Board attended last year's annual meeting.

### Trustee Independence

The Company has established Trustee independence standards to assist the Board in determining Trustee independence in accordance with the requirements of the American Stock Exchange's ("AMEX") corporate governance listing standards. The Company considers all relevant facts and circumstances in making an independence determination. To be considered "independent" under our independence standards, our Board of Trustees must determine that the trustee has no material relationship with us (other than as a trustee) directly or indirectly, that would interfere with the exercise of independent judgment.

Our Board has affirmatively determined that each of our incumbent trustees, except for Messrs. Wilson and Kelly who are Company officers, and each of the nominees for election at the 2008 Annual Meeting, qualifies as "independent" under our independence standards, as none of such trustees or nominees has a material relationship with us, directly or indirectly, that would interfere with the exercise of independent judgment. Mr. Shafer has a consulting agreement with the Company, described below under the heading "Certain Relationships and Related Transactions" which does not interfere with his independence as a Trustee, but does preclude him from being able to serve as a member of the Audit Committee.

### Committees of the Board

The Board of Trustees has established three committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The charters for the Audit Committee and the Nominating and Corporate Governance Committee may be found on our website at [www.acptrust.com](http://www.acptrust.com). You may also obtain a copy of the Audit Committee and the Nominating and Corporate Governance Committee charters without charge by writing to the Secretary of the Company at the principal executive offices of the Company.

**Audit Committee.** The responsibilities of the Audit Committee include the appointment and termination of the independent auditors, reviewing the plans for and results of the annual audit engagement with the independent auditors, approval of any other professional services provided by the independent auditors, approval of the fees paid to the independent auditors for audit and non-audit services, and periodically reviewing, with the assistance of the independent auditors, the adequacy of ACPT's internal accounting controls. The Audit Committee held four meetings during the year ended December 31, 2007.

The members of the Audit Committee are Mr. Ginorio and two trustees, T. Michael Scott and Thomas Condit, whose terms expire at the 2008 Annual Meeting of Shareholders. The Board of Trustees has determined that each current member of the Audit Committee is an independent trustee under the AMEX listing requirements and the applicable rules of the Securities and Exchange Commission and, as required by AMEX rules, is able to read and understand fundamental financial statements. The Board has further determined that Mr. Ginorio is "financially sophisticated" under the AMEX rules and is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K.

**Compensation Committee.** The Compensation Committee is responsible for approving the compensation of the executive officers of ACPT, including the CEO and for the administration of the Share Incentive Plan. The members of the Compensation Committee are Messrs. Shafer (Chairman), Condit, Ginorio and Scott, each of whom is an

independent trustee under the AMEX listing requirements. The Compensation Committee met three times during 2007.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee assists our Board with: identifying qualified individuals to become members of our Board in the event of any vacancy on the Board, recommending to the Board from time to time the member who should serve as Chairman of the Board, determining the composition of the committees of the Board, recommending to the Board, on an annual basis, trustee nominees for the Board to be presented at the annual shareholders meeting, monitoring a process to assess Board effectiveness and developing and implementing our corporate governance guidelines. The members of the Nominating and Corporate Governance Committee are Messrs. Scott (Chairman), Condit, Ginorio, and Shafer, each of whom is an independent trustee under the AMEX listing requirements. The Nominating and Corporate Governance Committee met once during 2007.

There are no differences in the way the Nominating and Corporate Governance Committee evaluates nominees suggested by shareholders from those suggested by Board members or management.

## INDEPENDENT AUDITOR FEES AND SERVICES

The following table sets forth the aggregate fees for professional services rendered by Ernst & Young LLP, the Company's independent registered public accounting firm, for the audit of the Company's annual financial statements for the years ended December 31, 2007 and December 31, 2006 and fees billed for other services rendered by Ernst & Young LLP during those periods.

|                    | 2007       | 2006       |
|--------------------|------------|------------|
| Audit Fees         | \$ 790,700 | \$ 802,400 |
| Audit-Related Fees | 36,500     | 28,200     |
| Tax Fees           | 177,110    | 186,326    |
| All Other Fees     | -          | -          |

## Audit Fees

Audit fees in 2007 and 2006 represented fees for professional services provided in connection with the annual audit of our financial statements reported on Form 10-K and review of our quarterly financial statements reported on Form 10-Q.

Audit fees in 2007 also included fees for professional services rendered in connection with the audit of the Company's adoption of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes," on January 1, 2007. Audit fees in 2006 also included fees for professional services rendered in connection with the audit of the Company's adoption of Emerging Issues Task Force (EITF) 04-05 "Determining Whether a General Partner as a Group Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights," on January 1, 2006.

## Audit-Related Fees

Audit-related services in 2007 and 2006 included the audit of the Retirement Benefit Plan, the Company's subscription to Ernst & Young's on-line accounting and auditing research tool and technical accounting assistance.

## Tax Fees

We use Ernst & Young for tax services, including tax compliance, tax advice and tax planning. Included in the tax fees for 2007 are tax consulting fees related to certain strategic planning activities undertaken during 2007. Included in the tax fees for 2006 are amounts related to assisting the Company in reaching a Closing Agreement with the IRS.

## Other Fees

We did not engage the independent auditor to provide services other than those identified in the above categories for us in 2007 or 2006.

## Pre-Approval Policies and Procedures

The Audit Committee adopted a policy that requires approval in advance of all audit, audit-related, tax services, and other services performed by the independent auditor outside of the audit engagement letter. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. The policy states that the Audit Committee must pre-approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee reports that all services rendered in fiscal year 2007 were pre-approved.

## Appointment of Principal Independent Auditor for 2009

The Audit Committee of the Board of Trustees has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2008. Ernst & Young LLP has served in this capacity since May 15, 2002. Ernst & Young LLP will audit and report to shareholders on the consolidated financial statements of the Company and its subsidiaries.

Representatives of Ernst & Young LLP will be present at the annual meeting, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.





#### AUDIT COMMITTEE REPORT

With respect to the Company's financial reporting process, the management of the Company has the primary responsibility for establishing and maintaining internal controls and preparing the Company's consolidated financial statements. The independent registered public accounting firm, Ernst & Young LLP, is responsible for auditing these financial statements. It is the responsibility of the Audit Committee to oversee these activities. It is not the responsibility of the Audit Committee to prepare or certify the Company's financial statements or guarantee the audits or reports of the independent auditors, nor is it the duty of the Audit Committee to certify that the independent auditor is "independent" under applicable rules. These are the fundamental responsibilities of Company management and the independent auditors. In the performance of its oversight function, the Audit Committee has:

- Reviewed and discussed the audited financial statements with the independent registered public accounting firm and management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements;
- Discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 114, Communication with Audit Committees, as currently in effect;
- Received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, and has discussed with the independent registered public accounting firm their independence;
- Considered whether the provision of non-audit services is compatible with maintaining the independent registered public accountant's independence; and
- Concluded that the independent registered public accounting firm is independent from the Company and its management.

The Audit Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Trustees (and the board has approved) that the audited financial statements for 2007 be included in the Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

Audit Committee

Antonio Ginorio, Committee Chairman  
Thomas S. Condit  
T. Michael Scott

May 15, 2008

## EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the compensation of the Chief Executive Officer and the two other most highly compensated executive officers of the Company (the "Named Executive Officers") during the Company's last fiscal year.

## SUMMARY COMPENSATION TABLE

| Name & Principal Position   | Year | Salary (\$) | Annual Bonus (\$) | Stock Awards (\$)(1) | Other (\$)(2) | Total Compensation (\$) |
|---|------|-------------|-------------------|----------------------|---------------|-------------------------|
| J. Michael Wilson (3)<br>Chairman & Chief Executive Officer             | 2007 | 390,000     | --                | --                   | --            | 390,000                 |
|   | 2006 | 375,000     | 95,000            | --                   | --            | 470,000                 |
| Edwin L. Kelly<br>Vice Chairman,<br>President & Chief Operating Officer | 2007 | 457,800     | --                | --                   | 36,408        | 494,208                 |
|   | 2006 | 400,300     | 105,000           | --                   | 24,224        | 529,524                 |
| Carlos R. Rodriguez<br>Executive Vice President                         | 2007 | 300,300     | --                | (20,000)             | 27,419        | 307,719                 |
|   | 2006 | 300,300     | 50,000            | (1,287)              | 25,569        | 374,582                 |

- (1) No stock awards were granted in 2007 or 2006. However, the outstanding SARs were re-measured for financial reporting purposes and the amount included above reflects the change in fair value recorded during the period as required by SFAS 123(R). The Company used the Black-Scholes model to value its SARs assuming a volatility of 45.34% and 44.72% and a risk free interest rate equally to the US Treasury Daily Yield Curve Rates as of December 31, 2007 and 2006, respectively.

## (2) Detail of Other:

| Name                | Contribution to Qualified Defined Contribution Plan (\$) | Country Club and Other Dues (\$) | Car and Other Allowances (\$) | Cell Phone (\$) | Total Other (\$) |
|---------------------|--|----------------------------------|-------------------------------|-----------------|------------------|
| J. Michael Wilson   |  |                                  |                               |                 |                  |
| 2007                | --   | --                               | --                            | --              | --               |
| 2006                | --   | --                               | --                            | --              | --               |
| Edwin L. Kelly      |  |                                  |                               |                 |                  |
| 2007                | 20,564   | 5,990                            | 9,002                         | 852             | 36,408           |
| 2006                | 19,711   | 2,700                            | 1,813                         | --              | 24,224           |
| Carlos R. Rodriguez |  |                                  |                               |                 |                  |
| 2007                | 20,093   | 5,113                            | --                            | 2,213           | 27,419           |
| 2006                | 19,711   | 5,858                            | --                            | --              | 25,569           |

- (3) J. Michael Wilson, the CEO of ACPT and President of IBC, is on the payroll of IBC. ACPT reimburses IBC for his services provided to ACPT.

NARRATIVE DISCLOSURE TO SUMMARY COMPENSATION TABLE

Employment Agreements

Edwin L. Kelly

On August 6, 2007, the Company entered into an executive retention agreement with Edwin L. Kelly. This executive retention agreement superseded Mr. Kelly's prior employment contract with the Company and was retroactively effective as of July 1, 2007. The agreement provided for Mr. Kelly to serve as Vice Chairman, President and Chief Operating Officer of the Company, reporting to the Chairman of the Board of Trustees of the Company, for a term expiring December 31, 2010 unless earlier terminated pursuant the terms of the agreement. The agreement renews automatically for successive one-year periods following December 31, 2010 unless either the Company or Mr. Kelly notifies the other of non-renewal.

During the term of the agreement, Mr. Kelly will receive an annual base salary of \$500,000, subject to annual inflationary adjustments and discretionary increases determined by the Company's Board of Trustees. In addition, under his agreement, Mr. Kelly will be entitled to participate in the Company's standard benefits, five weeks of paid vacation annually, the use of a company-owned car and membership fees and dues at his country club, among other perquisites.

The employment agreement includes customary restrictive covenants relating to protection of confidential information, non-solicitation and a non-compete clause that will prevent Mr. Kelly from seeking or obtaining employment by any competitor during the term of his employment with the Company and for one year thereafter.

Carlos R. Rodriguez

The Company has executed an employment agreement dated as of April 20, 2006 with Mr. Rodriguez, who serves as president of the Company's subsidiary, IGP Group, Corp. The agreement provides for an initial term expiring June 30, 2007, subject to extension at the Company's option. The Company opted to extend Mr. Rodriguez's employment term for one additional year to June 30, 2008. Unless the agreement is earlier terminated, upon expiration of the term of the agreement, as extended, Mr. Rodriguez has agreed to serve as a consultant, performing not more than 250 hours of services in any 12 month period, until June 30, 2011.

Mr. Rodriguez's initial base salary is \$300,000, and is subject to review and increase, but not decrease, in the discretion of the Board of Trustees. The agreement provides for Mr. Rodriguez to be eligible for such bonus and other benefits as may be established and conferred upon comparable senior executives of the Company. Under the terms of the agreement, Mr. Rodriguez will be paid an annual fee of \$100,000 for the period he serves as a consultant following expiration of the term of his employment. Total consulting fees for the three-year period are estimated to be \$300,000.

The employment agreement contains a non-competition and non-solicitation provision pursuant to which Mr. Rodriguez has agreed that he will not, until June 30, 2011, provide services to, or become engaged in any capacity, including as a principal, agent, shareholder (other than as a passive investor of less than 5% of the outstanding stock of any public company), consultant, employee, lender or surety, in, any entity that competes with the Company or its subsidiaries in Puerto Rico. Mr. Rodriguez has also agreed that, during this period, he will not hire or attempt to hire any person who, during the year prior to the termination of Mr. Rodriguez's employment with the Company, was serving as an employee, director or trustee of the Company or any subsidiary, or otherwise solicit or induce any such person to terminate his or her service with the Company. The non-competition and non-solicitation provisions will terminate should Mr. Rodriguez terminate his employment agreement due to a breach by the Company of its obligations thereunder.

#### Annual Incentive Compensation

Performance based incentives reflect both business and individual accomplishment. Incentives are tied to not only the Company's operating results, but also to senior management's ability to manage the Company effectively and create long term value for the shareholders. In this regard, assessment of performance should take into account factors, such as the impact of economic and industry trends in the Company's business.

Management proposes annual performance goals which are reviewed by the Compensation Committee and either modified or approved by the Committee. These goals are divided into five major areas as follows:

- Leadership

The goals in this area include the development of long range strategic plans, monitoring or modifying the company structure to maximize the benefit to shareholders, minimizing tax impact to shareholders, and promoting public relations and the company image.

- Revenues and Earnings

The goals in this area include the development and sale of residential land and buildings, leasing of commercial and residential units, and maximizing net operating income from rental properties.

- Cash Flow Management

The goals in this area include obtaining the best available bank loans where necessary for construction or working capital, refinancing of investment properties to obtain the best available long term rates and to provide cash for capital funding, managing cash flow to provide for acquisitions and return to shareholders.

- Human Resources

The goals in this area include establishing a succession plan for key executives, evaluating employee benefits, hiring new staff where a need has been identified, training and expanding the responsibilities of employees.

- Strategic Initiatives

The goals in this area include the development of new commercial and residential product, acquisition of investment properties and land available for future development, analyzing new opportunities and markets for the company.

While the Compensation Committee considered these performance factors in making individual compensation decisions, the Committee applied its own business judgment in making final determinations. The maximum bonus amount awarded to each executive will not exceed fifty percent of his or her base salary for the calendar year. For the year 2007, the Compensation Committee did not award any Annual Incentive Compensation to the CEO and two other named executive officers.

### Other Compensation

ACPT has established a qualified defined contribution retirement plan (the "Retirement Plan") for eligible employees of the Company. Employees are generally eligible to participate when they complete one year of service. Contributions from the Company to the plan are 5.7% of base salaries and wages not in excess of the U.S. Social Security taxable wage base, and 11.4% of salaries (limited to \$225,000) that exceed that wage base. In addition, the Retirement Plan contains a profit sharing provision allowing ACPT to award annual cash bonuses to the officers and employees in reasonable amounts reflecting their contributions to the Company. The awards are determined by the Compensation Committee. A portion of each bonus is contributed on behalf of the employee to the Retirement Plan. No annual cash bonuses were made under the Retirement Plan in 2007. All of the named executive officers participate in the Retirement Plan except for the Chief Executive Officer.

Other perquisites are provided to certain named executive officers, primarily the payment of country club and other dues on behalf of the officers, use of Company automobiles or car allowance and cellular phones. The Committee believes that the perquisites offered represent market practice and serve to minimize distractions and enable the named executive officers to efficiently and effectively conduct business. The Committee also notes that these perquisites do not represent a significant portion of the named executive officers' total compensation.

### SHARE INCENTIVE PLAN

Under the Share Incentive Plan, the Compensation Committee of the Board of Trustees may grant to key employees the following types of Share-based incentive compensation awards ("Awards"): (i) options to purchase a specified number of Common Shares ("Options"), (ii) Common Shares that vest upon the occurrence of certain vesting criteria ("Restricted Shares"), or (iii) Stock Appreciation Rights ("SARs") that entitle the holder to receive upon exercise an amount payable in cash, Common Shares or other property (or any combination of the foregoing) equal to the difference between the market value of Common Shares and a base price fixed on the date of grant. A total of 208,000 Common Shares have been reserved for issuance under the Share Incentive Plan. However, the Share Incentive Plan will expire on July 7, 2008, at which point these shares will no longer be available for issuance.

No equity awards were issued in 2007 to the Named Executive Officers. The following table summarizes the amount of unexercised SARs held by the Named Executive Officers at December 31, 2007.

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

| Name                | Securities  | Securities    | SARs     | SARs       |
|---------------------|-------------|---------------|----------|------------|
|                     | Underlying  | Underlying    |          |            |
|                     | Unexercised | Unexercised   | Exercise | Expiration |
|                     | SARs        | SARs          | Price    | Date       |
|                     | (#)         | (#)           | (\$)     |            |
|                     | Exercisable | Unexercisable |          |            |
| J. Michael Wilson   | --          | --            | --       | --         |
| Edwin L. Kelly      | --          | --            | --       | --         |
| Carlos R. Rodriguez | 10,000      | --            | 40,000   | 4/30/2011  |

### POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

Mr. Kelly's executive retention agreement includes, among other provisions, a change-in-control provision. No other Named Executive Officers have change of control agreements with the Company. However, Mr. Rodriguez's employment agreement includes certain other termination provisions. Further details of these provisions are set forth below.

#### Edwin L. Kelly

Mr. Kelly's executive retention agreement will terminate prior to the stated term upon Mr. Kelly's death or disability. In addition, the Company may terminate Mr. Kelly's employment for "cause" or for any other reason. Mr.

Kelly may terminate his employment for “good reason” or for any other reason, as well as upon a change of control of the Company or the first anniversary thereafter. If Mr. Kelly’s employment is terminated by the Company other than for “cause” or by him for “good reason,” Mr. Kelly will be entitled to receive the following amounts, subject to customary withholding and deductions, without regard to whether Mr. Kelly obtains a position with another employer:

- Termination prior to the 1st anniversary of the Agreement: 48 months of his then-current base salary;
- Termination prior to the 2nd anniversary of the Agreement: 36 months of his then-current base salary;
- Termination prior to the 3rd anniversary of the Agreement: 30 months of his then-current base salary; or
  - Termination at any time thereafter: 24 months of his then-current base salary.

In addition, upon delivery by a party of a notice of non-renewal, Mr. Kelly shall be entitled to receive severance in the amount of 24 months of his then-current base salary.

If Mr. Kelly terminates his employment at any time effective upon the first anniversary of a change of control of the Company, Mr. Kelly will be entitled to receive severance in the amount of 48 months of his then-current base salary. Under certain circumstances related to a change of control, Mr. Kelly will be entitled to receive a gross-up of such severance amount in an amount necessary to make him whole for any excise taxes payable by him in connection with such severance. Should a change in control have occurred, the Company estimates approximately \$2.0 million would be due to Mr. Kelly under the change in control provision as of December 31, 2007.

“Cause” is defined to mean (1) the executive’s conviction of, or plea of nolo contendere to, a felony involving dishonesty, disloyalty, fraud, or moral turpitude; (2) the executive’s material breach of any material obligation in the Kelly Agreement; or (3) the executive’s engaging in conduct constituting a material breach of any fiduciary duty to the Company. In the event of termination for cause, all salary and benefit payments cease immediately.

“Good reason” is defined to mean (1) a material diminution in any of the executive’s base compensation, authority (which includes but is not limited to a change in the identity of the person to whom the executive reports), duties or responsibilities without his agreement; (2) the executive being required to relocate his office to executive offices outside of an area within a fifty (50) mile radius of the Company’s existing executive offices; (3) there being a material reduction in the overall value of the employee benefits being provided to the executive, unless the reduction is effective for all senior executive employees; or (4) a material breach by the Company of any of its obligations to the executive under the executive retention agreement, and in each case, so long as the executive gives such notice within sixty (60) days of the circumstances believed by the executive to constitute Good Reason and the Company fails to remedy those circumstances within thirty (30) days of its receipt of such notice. Should Mr. Kelly have terminated his employment for good reason, the Company estimates approximately \$2.0 million would be due to Mr. Kelly under this provision as of December 31, 2007.

All payments and benefits to which Mr. Kelly may become entitled under his executive retention agreement are subject to delay or modification if necessary to comply with Section 409A of the Internal Revenue Code.

If the Company terminates the employment agreement other than for cause, or if Mr. Kelly terminates the agreement upon any breach by the Company of its obligations thereunder, the Company would be required to pay the executive’s base salary and benefits for a period of 48 months following such termination, estimated to be approximately \$2.0 million as of December 31, 2007.

Carlos R. Rodriguez

Upon expiration of the term of the agreement, as extended, Mr. Rodriguez has agreed to serve as a consultant, performing not more than 250 hours of services in any 12-month period, until June 30, 2011. Following expiration of the term of his employment, Mr. Rodriguez will be paid an annual fee of \$100,000 for the period he serves as a consultant. Total consulting fees for the three-year period are estimated to be \$300,000.

Mr. Rodriguez’s employment agreement may be terminated by either party upon 90 days prior written notice and terminates automatically upon the death or disability of Mr. Rodriguez. If the agreement terminates due to death or disability, the Company will pay Mr. Rodriguez or his estate the base salary or consulting fees otherwise scheduled to be paid for the six months following such termination, estimated to be approximately \$150,000 as of December 31, 2007.

In addition, the Company may terminate the employment agreement prior to its expiration on June 30, 2008 for “cause.” As defined in the employment agreement, “cause” means the executive’s (i) willful, reckless or grossly negligent inattention to his duties or responsibilities to the Company and its subsidiaries, (ii) unethical conduct relating to the performance of his duties and responsibilities, (iii) repeated disregard for the written rules, policies and regulations of the Company, (iv) conviction of a felony or other criminal offense relating to fraud or theft, (v) repeated failure or refusal to perform employment obligations under the agreement or (vi) breach of his obligations, including without limitation the non-compete provision described below, under the employment agreement. In the event of termination



for cause, all salary and benefit payments cease immediately.

If the Company terminates the employment agreement prior to its expiration on June 30, 2008 other than for cause, or if Mr. Rodriguez terminates the agreement upon any breach by the Company of its obligations thereunder, the Company will pay the executive's base salary for the remainder of the year of termination plus one additional year; provided that if Mr. Rodriguez terminates the agreement during the consultancy period, the Company will pay all consultant fees for the remainder of the consultancy period. Depending on which provision of the agreement applies, we estimate that the range of potential payment would be between \$300,000 and \$600,000 as of December 31, 2007.

#### COMPENSATION OF TRUSTEES

The Company pays its Trustees who are not employees of the Company or any of its affiliates fees for services as trustees. Trustees receive fees of \$6,500 per quarter plus \$1,400 per Board meeting and an additional \$500 fee for each telephonic meeting. The Chairman of the Audit Committee receives an additional \$1,400 per meeting. The Trustees are also reimbursed for all reasonable expenses incurred by them in attending Board and committee meetings.

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The following table summarizes Trustee compensation:

| Name             | Fees<br>Earned or<br>Paid in |                          |                                    | Total<br>(\$) |
|------------------|------------------------------|--------------------------|------------------------------------|---------------|
|                  | Cash<br>\$(A)                | Stock<br>Awards<br>\$(B) | All Other<br>Compensation<br>\$(C) |               |
| Thomas J. Shafer | 58,400                       | 32,160                   | 61,440                             | 152,000       |
| T. Michael Scott | 57,000                       | 13,920                   | 1,440                              | 72,360        |
| Antonio Ginorio  | 63,000                       | 9,360                    | 1,440                              | 73,800        |
| Thomas S. Condit | 57,000                       | 32,160                   | 1,440                              | 90,600        |

- (A) During 2007, the Board of Trustees established a Special Committee made up of each of the outside trustees. These Special Committee members were eligible to receive a fee of \$70,000 each for their participation on the Special Committee, payable in installments, based on certain conditions. Each member received \$20,000 for service on the Special Committee during 2007, which payments are included in the amounts above. An additional \$50,000 was paid to each member during the first quarter of 2008, and accordingly, is not included in the amounts above.
- (B) Included for each trustee listed above is \$32,160 related to the FAS 123(R) expense recorded for the restricted shares issued in August 2006 (see discussion below). The SFAS 123(R) expense recognized for financial reporting purposes for the year ended December 31, 2007 represents the amortization of the grant date fair value. In addition, Messrs. Scott and Ginorio had 8,000 and 10,000, respectively, vested SARs outstanding, which were re-measured for financial reporting purposes and the amount included above reflects the change in fair value recorded during the year ended December 31, 2007 required by SFAS 123(R). To estimate fair value, the Company used the Black-Scholes model to assuming a volatility of 45.34% and a risk free interest rate equally to the US Treasury Daily Yield Curve Rates as of December 31, 2007.
- (C) Each of the four trustees received \$1,440 related to dividends paid on restricted shares granted as described in note (B) above. In addition, Mr. Shafer received \$60,000 related to a consulting agreement with the Company which is discussed further below under the heading "Certain Relationships and Related Transactions."

Trustee Share Incentive Plan. The Trustee Share Incentive Plan authorizes the Board of Trustees, in its discretion, to grant to eligible trustees, awards of the same type and terms as the awards available under the Employee Share Incentive Plan discussed in this Proxy Statement under "Executive Compensation". Only trustees who are not employees of ACPT or any affiliated company are eligible to receive awards under the Trustee Share Incentive Plan. An aggregate of 52,000 Common Shares was reserved for issuance under the Trustee Share Incentive Plan. Under this plan, the Company awarded 8,000 shares to each of the four non-employee Trustees on August 28, 2006. These shares vest annually at a rate of 1,600 per year, per trustee, with the initial tranche of shares vesting immediately at the grant date. In addition, 1,600 unregistered shares were awarded to each non-employee Trustee in June 2005. Finally, during 2001, Thomas J. Shafer, T. Michael Scott and Antonio Ginorio were each awarded 10,000 SARs that entitle the holder to receive upon exercise an amount payable in cash, common shares or other property equal to the difference between the market value of common shares and a \$4.00 base price which was fixed on the date of grant. As of December 31, 2007, Messrs. Scott and Ginorio had 8,000 and 10,000, respectively, vested SARs outstanding. The Trustee Share Incentive Plan will expire on July 7, 2008.

#### EQUITY COMPENSATION PLAN INFORMATION

As described previously, certain shares are available for issuance under the Share Incentive Plan and the Trustee Share Incentive Plan. As of December 31, 2007, there were 208,000 shares available for issuance under the Share Incentive Plan, of which 7,275 share equivalents would be necessary to satisfy outstanding SARS at December 31, 2007 should the SARS be settled for stock as opposed to cash. For the Trustee Share Incentive Plan, 13,600 shares were available for issuance, of which 12,591 share equivalents would be necessary to satisfy outstanding SARS at December 31, 2007. However, both of these plans will expire on July 7, 2008, at which point these shares will no longer be available for issuance.

SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Shares by each of the Company's trustees, the nominees for trustee, the Named Executive Officers, all trustees and current executive officers as a group and each person who is known by the Company to beneficially own more than five percent of any class of the Company's voting securities as of April 4, 2008. The Company has relied upon information supplied by its officers, trustees, nominees, and certain shareholders and upon information contained in filings with the SEC. Except as otherwise noted below, the address of each person listed in the following table is: c/o American Community Properties Trust, 222 Smallwood Village Center, St. Charles, MD 20602.

| Name   | Number of<br>Shares<br>of Common<br>Stock<br>Beneficially<br>Owned | Percent of<br>All Shares<br>of<br>Common<br>Stock |
|--|--|---|
| J. Michael Wilson, (1)(2)(4)   | 107,747  | 2.06  |
| Edwin L. Kelly   | 54,607   | 1.04  |
| Carlos R. Rodriguez  | --   | --  |
| Thomas J. Shafer   | 14,600   | *   |
| T. Michael Scott   | 11,600   | *   |
| Antonio Ginorio  | 10,600   | *   |
| Thomas S. Condit   | 9,600  | *   |
| Ross B. Levin  | 6,400  | *   |
| Donald J. Halldin  | --   | --  |
| Michael Williamson   | --   | --  |
| Thomas E. Green  | --   | --  |
| All trustees and executive officers of<br>ACPT as a group (15 persons)(2)  | 214,854  | 4.11  |
| The Wilson Group (1)<br>222 Smallwood Village Center<br>St. Charles, MD 20602  | 2,650,720  | 50.68   |
| Interstate Business Corporation (1)(3)(4)<br>222 Smallwood Village Center<br>St. Charles, MD 20602                   | 1,549,976  | 29.64   |
| Wilson Securities Corporation (1)(3)(4)<br>222 Smallwood Village Center<br>St. Charles, MD 20602                     | 545,673  | 10.43   |
| Paul J. Isaac (5)<br>75 Prospect Avenue<br>Larchmont, New York 10538   | 572,383  | 10.94   |
| Robert L. Chapman, Jr. (6)<br>Pacific Corporate Towers, 13th Floor<br>222 N. Sepulveda Blvd.<br>El Segundo, CA 90245 | 389,271  | 7.44  |
| Eric P. Von der Porten (7)<br>1395 San Carlos Avenue, Suite B<br>San Carlos, CA 94070                                | 283,100  | 5.41  |

\* Less than 1%.

- (1) As reported in a Schedule 13D/A filed April 15, 2008, the Wilson Group is comprised of James J. Wilson and his wife, Barbara A. Wilson; their six children, J. Michael Wilson (CEO and Chairman of ACPT), Thomas B. Wilson, Kevin J. Wilson, Elizabeth W. Weber, Mary P. Wilson and Brian J. Wilson; Interstate Business Corporation; Wilson Securities Corporation; and Wilson Family Limited Partnership. The Wilson Group, collectively, has voting and dispositive control through direct and indirect ownership of 51% of ACPT's outstanding shares as reflected in the Wilson Group's Schedule 13D. The members of the group periodically meet to discuss matters relating to their ownership of ACPT and may from time to time act together with respect to the voting or disposition of common shares. However, there is no formal arrangement among the members of the group in regard to their voting and dispositive voting rights and, accordingly, the group members may not always act together with respect to the common shares.
- (2) Includes 21,350 shares attributable to ACPT shares held by the Wilson Family Limited Partnership. J. Michael Wilson is a General Partner of the Wilson Family Limited Partnership. The management and control of the business and affairs of the partnership are vested jointly in the General Partners, thus J. Michael Wilson shares voting and dispositive power over Common Shares owned by the Wilson Family Limited Partnership.
- (3) Interstate Business Corporation and Wilson Securities Corporation are owned by certain members of the Wilson Family, including J. Michael Wilson.
  - (4) These persons are members of the Wilson Group and their shares are also included with the Wilson Group.
- (5) Based on a Schedule 13D/A filed April 21, 2008, Paul J. Isaac directly owns 73,450 shares and has beneficial ownership of 446,048 shares that are directly owned by: (i) Isaac Brothers L.L.C. (220,200 shares); (ii) Arbiter Partners L.P. (177,083 shares); (iii) Karen Isaac (wife) and 4 grandchildren (84,400); (iv) Isaac Grandchildren's Trust (12,250 shares); (v) Marjorie S. Isaac u/w/o Irving H. Isaac Marital Trust (5,000 shares).
- (6) Based on a Schedule K-1 information as of December 31, 2007, Robert L. Chapman, Jr., through Chapman Capital L.L.C., has beneficial ownership of 389,271 shares that are directly owned by: (i) Westlake Real Estate L.L.C. (71,585 shares), (ii) Smallwood Real Estate L.L.C. (85,144 shares), (iii) Fairway Real Estate L.L.C. (56,814 shares), (iv) Piney Reach Real Estate L.L.C. (79,757 shares) and (v) Wooded Glen Real Estate L.L.C. (96,002 shares).
- (7) Based on a Schedule 13D filed December 14, 2007, Eric P. Von der Porten, through Leeward Capital, L.P. and Leeward Investments, LLC, has beneficial ownership of 283,100 shares.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Payments to IBC for Services Provided by J. Michael Wilson

J. Michael Wilson, the Chief Executive Officer of ACPT and President of IBC, is on the payroll of IBC. During 2007, ACPT reimbursed IBC \$390,000 for his services provided to ACPT. IBC is owned by the Wilson Group, beneficial owners of 51% of ACPT's outstanding shares.

### Property Management Services

During 2007, ACPT provided management services to one multifamily apartment project in which ACPT is not the general partner and IBC or an IBC related entity holds an ownership interest. The management contract provided for fees of 4.5% of collected rents. Total fees earned from this property in 2007 were \$41,815. Effective February 28, 2007, the Company's management agreement with this project was terminated upon the sale of the project to a third party.

### Consulting Agreement

American Rental Management Company ("American Management"), a wholly owned subsidiary of 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 during the first two years of \$500,000 and annual cash payments for eight years thereafter of \$200,000. However, if Mr. Wilson dies or ACPT is sold during the term of the Consulting Agreement, the agreement provides for a lump sum payment equal to the lesser of \$400,000 or the aggregate of annual payments then payable under the

agreement. During the Consulting Agreement term, Mr. Wilson will remain available to provide consulting services requested from time to time by the Board of Trustees, including strategic planning and transaction advisory services. Pursuant to the Consulting Agreement, American Rental Management Company will reimburse the reasonable costs and expenses incurred by Mr. Wilson in providing requested consulting services. At the request of Mr. Wilson, ACPT has been making monthly payments under this Consulting Agreement to Interstate Waste Technologies, Inc. ("IWT"). Mr. Wilson is the father of J. Michael Wilson, Chairman and Chief Executive Officer of the Company. The final monthly payment under this agreement will be made in September 2008.

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#### Payment of Legal Fees

During 2007, the Company's non-employee trustees concluded that certain legal fees and expenses incurred by J. Michael Wilson in connection with the preliminary work done related to recapitalizing the Company were in the best interest of the Company and the minority shareholders. Accordingly, these trustees authorized the Company to fund up to \$225,000 of such costs, all of which were incurred as of December 31, 2007.

#### Consulting and Engineering Services

Thomas J. Shafer, Trustee, provides engineering and consulting services to the Company pursuant to a consulting agreement between the Company and Mr. Shafer. During 2007, Mr. Shafer was paid \$5,000 per month for these services. The agreement may be terminated by either party upon thirty days' notice. The Board has determined that Mr. Shafer's provision of services pursuant to his consulting agreement is not a "material" relationship within the meaning of the AMEX corporate governance listing standards.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's trustees, officers, and persons who beneficially own more than ten percent of ACPT's Common Shares to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of ACPT. Trustees, officers and greater than ten percent shareholders are required by SEC regulation to furnish ACPT with copies of all Section 16(a) forms they file.

Based solely on review of the copies of these reports furnished to the Company during and with respect to the fiscal year ended December 31, 2007 and written representations that no other reports were required, the Company believes that all Section 16(a) filing requirements were complied with during the fiscal year ended December 31, 2007.

#### ANNUAL REPORT

The Company's audited financial statements and notes thereto, including selected financial data and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2007, are included in the Company's Annual Report, which was mailed to all shareholders on April 29, 2008.

Additional copies of the Annual Report and the Company's 2007 Form 10-K and this proxy statement are available without charge on the Company's website at [www.acptrust.com](http://www.acptrust.com) or upon written request to American Community Properties Trust, 222 Smallwood Village Center, St. Charles, Maryland 20602, Attention: Director of Investor Relations.

#### SHAREHOLDER PROPOSALS AND ADVANCE NOTICE PROVISIONS

##### Proposals for Inclusion in 2009 Proxy Materials

If any shareholder intends to submit a proposal for consideration at the Company's 2009 Annual Meeting of Shareholders, such proposal must be received by the Secretary of the Company no later than January 15, 2009, in order to be considered for inclusion in the proxy statement and form of proxy to be distributed by the Board of Trustees in connection with that meeting. Shareholder proposals should be submitted to American Community Properties Trust, Attn: Secretary, 222 Smallwood Village Center, St. Charles, Maryland, 20602. Such a proposal must contain a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made, and all other information required to be presented pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. In accordance with our Bylaws, the shareholder and the beneficial owner, if any, on whose behalf the nomination or proposal is made also must provide (x) the name and address of such shareholder, as they appear on the Company's books, and of such beneficial owner and (y) the number of each class of shares of the Company which are owned beneficially and of record by such shareholder and such beneficial owner.

Trustee Nominations and Other Proposals to be Addressed at the 2009 Annual Meeting

The Bylaws of the Company provide a formal procedure for bringing business before the annual meeting of shareholders that also applies to matters that shareholders wish to present, but do not wish to be considered for inclusion in the proxy statement and form of proxy. A shareholder proposing to present a matter before the 2009 annual meeting but not have the proposal considered for inclusion in the proxy materials is required to deliver notice thereof in writing to the Secretary of the Company at the principal executive offices of the Company no earlier than March 6, 2009 and no later than April 6, 2009. If the date of the 2009 annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of this year's annual meeting of shareholders, for the notice by the shareholder to be considered timely, it must be delivered to the Secretary of the Company on the tenth day following the day on which public announcement of the date of such meeting is first made. The notice must contain (i) as to each person whom the shareholder proposes to nominate for election or reelection as a trustee, all information relating to such person that is required to be disclosed in solicitations of proxies for election of trustees, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a trustee if elected); (ii) as to any other business that the shareholder proposes to bring before the meeting, the same type of information required for proposals to be considered for inclusion in the proxy materials under the prior paragraph.



#### Discretionary Authority

Pursuant to Rule 14a-4 under the Exchange Act, if a shareholder notifies the Company after April 1, 2009 of an intent to present a proposal at the Company's 2008 annual meeting of shareholders (and for any reason the proposal is voted upon at that annual meeting), the Company's proxy holders will have the right to exercise discretionary voting authority with respect to the proposal, if presented at the meeting, without including information regarding the proposal in its proxy materials.

#### Communicating with the Board of Trustees

Any shareholder who wishes to communicate to the entire Board of Trustees of the Company, or to any individual trustee, whether or not in relation to a shareholder nomination or a shareholder proposal, may send that communication in writing to the Secretary of the Company at the address provided in the paragraph above and it will be forwarded to the appropriate member (s) of the Board. All written shareholder communications to the Board of Trustees will be forwarded to the designated recipients.

#### Other Matters

The Board of Trustees does not know of any matters other than those described in this proxy statement that will be presented for action at the meeting. If other matters properly come before the meeting, the persons named as proxies intend to vote the shares they represent in accordance with their judgment.

#### Expenses of Solicitation

The cost of proxy solicitation will be borne by the Company. In an effort to have as large a representation at the meeting as possible, special solicitation of proxies may, in certain instances, be made personally, or by telephone, telegraph, or mail by one or more Company employees. The Company will also reimburse brokers, banks, nominees and other fiduciaries for postage and reasonable clerical expenses of forwarding the proxy materials to their principals, the beneficial owners of the Company's shares. The Company anticipates these fees and expenses will be approximately \$6,500.

May 15, 2008

AMERICAN COMMUNITY PROPERTIES TRUST  
 Proxy for Meeting of ACPT Shareholders on June 4, 2008

The undersigned, a shareholder of American Community Properties Trust, (the "Company") hereby appoints Edwin L. Kelly and Cynthia L. Hedrick, and each of them individually, as Proxies to represent and vote all of the Company's Common Shares held of record by the undersigned, each with full power of substitution, at the Annual Meeting of Shareholders of the Company, to be held at the Holiday Inn, James Craik Room, 45 St. Patrick's Drive, St. Charles, Maryland, on Wednesday, June 4, 2008 at 10:00 a.m., EDT, or at any adjournment or postponement thereof, as follows on the reverse side.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES AND WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE BELOW. IF A CHOICE IS NOT INDICATED WITH RESPECT TO ITEM (1) BELOW, THIS PROXY WILL BE VOTED "FOR ALL NOMINEES". THIS PROXY IS REVOCABLE AT ANY TIME BEFORE IT IS EXERCISED.

- To elect five trustees of the Company; three trustees for a three-year term to expire at the 2011 Annual Meeting of Shareholders, one trustee for a two-year term to expire at the 2010 Annual Meeting of Shareholders and one trustee for a one-year term to expire at the 2009 Annual Meeting of Shareholders.

| Nominee  | Vote For Nominee | Vote Withheld from<br>Nominee |
|--|------------------|-------------------------------|
| (a) Donald J. Halldin for a three-year term      | [ ]              | [ ]                           |
| (b) Eric P. Von der Porten for a three-year term | [ ]              | [ ]                           |
| (c) Ross B. Levin for a three-year term          | [ ]              | [ ]                           |
| (d) Michael E. Williamson for a two-year term    | [ ]              | [ ]                           |
| and  |                  |                               |
| (e) Thomas E. Green for a one-year term          | [ ]              | [ ]                           |

- In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

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[ ]

The undersigned hereby acknowledges receipt of a copy of the Notice of Annual Meeting and accompanying Proxy Statement dated May 15, 2008.

Please complete, sign, and date this proxy card and return it promptly in the enclosed postage prepaid envelope or otherwise to P.O. Box 2637, Waldorf, Maryland 20604.

\_\_\_\_\_  
 Name of Shareholder

\_\_\_\_\_  
 Number of Shares Held

\_\_\_\_\_  
 Signature

\_\_\_\_\_, 2008  
 Date

\_\_\_\_\_  
 Title or Authority, if applicable

Note: If Shares are registered in more than one name, the signatures of all such persons are required. A corporation should sign in its full corporate name by a duly authorized officer, giving his or her title. A partnership should sign in the partnership name by an authorized person. Trustees, guardians, executors and administrators should sign in their official capacity, giving full title as such.

PLEASE COMPLETE, SIGN AND DATE THIS PROXY AND RETURN IT PROMPTLY